VENDOR ANALYSIS PROGRAM

INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

August 1996

O'Reilly & Associates, Inc.

President **Timothy F. O'Reilly**
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O'REILLY

Status:	Private
Employees:	182

Company Description

O'Reilly & Associates, Inc., founded in 1978, is a recognized leader in technical publishing and software development, specializing in books on open systems and Internet-related software.

The company was originally a technical writing consulting company. During the development of an Internet users guide, O'Reilly & Associates developed the Global Network Navigator (GNN), a product that provided an "information interface" to the Internet.

O'Reilly & Associates sold GNN, the first advertiser-supported site on the Web, to America Online, Inc. in 1995.

The company continues to produce extensive Internet and technology-based publications, and has expanded its software offerings to include server software, Web conferencing system software, and Web forms construction kits.

Organization and Structure

O'Reilly & Associates is headquartered in Sebastopol (CA).

The company also operates Songline Studios, in a joint affiliation with America Online based in Sebastopol (CA), and a publishing subsidiary, Travelers' Tales, Inc., based in San Francisco (CA).

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Key executives are listed below:

O'Reilly & Associates Key Executives

Name	Title
Tim O'Reilly	President
Frank Wilson	Managing Editor
Brian Erwin	Marketing & Sales Director

The company has three distinct business units: publishing, software, and research.

- The publishing business unit focuses on technical issues.
- The software business unit focuses on the Web.
- The research unit focuses on Internet statistics.

Company Strategy

Company President Tim O'Reilly describes O'Reilly & Associates' strategy in this way:

"We think of ourselves not as a publisher, but as a specialist in solving information problems.

Our product development process is to follow our noses, to let our curiosity and our sensitivity to 'information pain' (whether caused by absence or overload) lead us into new areas.

As technology develops, O'Reilly & Associates expect[s] increasingly to be in the software business, the magazine business, the on-line services business...all of which are increasingly being seen as different faces of a single information business."

Employees

O'Reilly & Associates currently has approximately 182 employees.

Key Products and Services

Internet Software Products

O'Reilly's software business is directed at maintaining the Web as a peer-to-peer medium, with the ability to produce information roughly symmetrical with the ability to consume it.

O'Reilly & Associates' current software offerings are as follows:

WebSite 1.1 is a 32-bit multithreaded Web server that lets users publish and maintain a set of Web documents, control access, index desktop directories, and use a CGI to access Excel, FoxPro, and other data from within a Web document.

- WebSite 1.1 includes:
 - A graphical interface for creating virtual servers, and supports remote administration, password authentication, and access control.
 - Webview, a document display program, HotDog, an HTML editor, Enhanced Spyglass Mosaic 2.1, a browser, SSI, and an in-depth 480-page user's guide.
- The complete version of WebSite 1.1 is priced at $249, and a reduced-function version is available free by downloading over the Internet.

WebSite Professional includes all of the features contained in WebSite 1.1, plus the following functions:

- Supports Secure Sockets Layer (SSL) and Secure Hypertext Transfer Protocol

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(S-HTTP), which provide cryptographic security

- Supports several forms of Common Gateway Interface (CGI), WebSite API, and Java
- Includes a fully documented Java software development kit that provides support for server-side programming
- Includes Cold Fusion, a database application development tool for incorporating database information into Web documents
- WebSite Professional is currently priced at $499.

WebBoard is a multithreaded conferencing system that adds on-line conferencing capability to any Windows Web server that fully supports the Windows CGI.

- WebBoard users log in with a unique name and a password, and each transaction is verified to ensure a secure conferencing environment.
- Also included are functions such as E-mail, user listings, top-ten lists, caller logs, and bulletins.
- WebBoard is priced at $149.

PolyForm is a Web forms tool that helps customers make Web pages interactive and fun for users.

- PolyForm works with any Web server that fully supports the Windows CGI interface.
- Product users can order products, request information, provide customer feedback, answer surveys, and perform other functions.
- Each form can be configured separately, so users can collect and store response data as well as recipient information.
- PolyForm allows information submitted on a form to be sent to a specific E-mail address and data to be sent back to the user who fills out the form.
- PolyForm lists for $149.

Publications

O'Reilly & Associates produces an array of publications, primarily of a technical nature.

- The company's technical books cover such topics as Internet programming, Windows 95, network and systems administration (Internet, UNIX and X, security issues), UNIX and X, programming (UNIX, C++, C, FORTRAN, Oracle database, multiplatform computing, and graphics), and the X Window System.
- Other company publications address health, career, and business issues.
- Pricing for these publications ranges from $12.95 to $59.95, depending on the information provided and the resources (e.g. CD ROM) that accompany the publication.

O'Reilly & Associates also publishes a *Travelers' Tales* series of anthologies that are organized like a guidebook, but also contain true stories written to provide the most in-depth and personal picture of a particular location. The Travelers' Tales anthologies are $17.95.

Clients

Some of the companies that use O'Reilly's products include IBM, Tandem, and PSINet.

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Marketing and Sales

O'Reilly principally sells its products through retail, VARs, and third-party distributors, and markets its products by advertising, trade shows, Internet marketing, and direct mail.

Marketing activities include a public Web site with links to an electronic magazine, product downloads, and extensive product information.

Alliances

The company has agreements with Ingram Book Company and Tech Data.

Competition

O'Reilly & Associates' published products compete with a variety of corporate and independent technical publishers, including Prentice Technical Reference (PTR) and Addison-Wesley.

The company's software products compete with major industry players, particularly O'Reilly's WebSite server for Windows NT and 95, which shares the market with products by Netscape Communications, Microsoft, and Open Market.

INPUT Assessment

O'Reilly & Associates' strengths include:

- An installed base gained from early introduction of a Windows NT server
- The company's Internet experience and technical proficiency
- The established reputation of company publications
- The development of Global Network Navigator (GNN)

Future challenges include:

- Competition in the server market from Netscape and Microsoft
- Continuing to develop affordable, innovative software products
- Continuing to develop concise, hands-on technical publications

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May 1998

Origin Technology in Business, Inc. - Baan Services Providers

Contact Information for Baan Services in North America
Managing Director: **Rob Mol**
E-mail: **rob.mol@us.origin-it.com**
Origin Technology in Business, Inc.
10 Carlson Court, Suite 800
Toronto, ON M9W 6L2
Canada
Phone: **908-508-9820**
Internet: **www.origin-it.com**

The following profile outlines the services and support offered by Origin Technology in Business, Inc. for Baan Services.

Company Background

Origin BV was formed in January 1996 with the merger of BSO/Origin and Philips Communications and Processing (C&P). At the time of the merger, the combined resources of the two companies immediately established Origin as one of Europe's top-ranked information technology services providers and a company well positioned for leadership in this sector of the global marketplace.

The merger brought together more than 13,500 professionals working in more than 100 cities in 31 countries in Europe, the Americas and Asia-Pacific regions. During 1996, its first full year of operation, Origin achieved nearly $1.5 billion in net sales and grew by 26 percent from 1995 sales of $1.2 billion.

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Origin provides a full range of services to deliver business solutions for multinational corporations and other complex organizations. Its core services include:

- Business Applications Solutions
- Business Continuity Services
- Desktop Solutions
- Electronic Commerce
- ERP Solutions
- Operational Infrastructure Solutions
- Strategic Outsourcing
- Strategic Technologies
- Technical Automation
- Transformation Consulting

As a leading provider of services to support successful implementations of Enterprise Resource Planning (ERP) software, Origin has developed global partnerships with The Baan Company, QAD Inc. and SAP.

Baan Activities

Origin's Global Baan Practice began in 1992 as Baan's first Global Consulting Partner and currently claims the World's Largest Baan Practice. Origin established its Baan Service Line in the Netherlands with the transfer of 70 employees from the Baan Company. This success formula was repeated in North America and Brazil the following year with the transfer of Baan's Implementation and Customization groups to Origin.

During its long relationship, Origin has worked closely with the Baan Company on several initiatives, including:

- The joint development of the Electronics Assemble-to-Order Business Reference Model
- The management of the development of Baan's A&D module
- The management of standard maintenance for past versions of Baan software
- The development and joint marketing of PRIM, a product replacement management module for the Baan Series.

As a Service Line with a global presence, Origin's Baan Practice currently is active in 23 countries. In North America, Origin has offices in Toronto, Boston, Chicago, and Los Angeles.

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Origin provides Full Life-cycle Services for the implementation and support of BAAN ERP software. This includes:

Implementation Consulting & Management

- Readiness Assessment
- Business Modeling
- Implementation Planning
- Project Management

Training & Knowledge Transfer

- Key Users/End Users
- Standard/Tailored/Customized Training
- User Documentation

Technology Services

- Development Services (includes localizations)
- Software Integration
- Migration/Data Conversion
- Performance Tuning/Optimization
- Post-implementation Trouble-shooting
- Maintenance & Support

Origin was the winner of two 1996 Baan Gold Partner Awards in recognition of its excellence in Global Implementation and Customization. Origin was the only Baan partner to receive two Gold Partner Awards for 1996. In addition, Origin has met all of Baan's Global Consulting Partner requirements with: operations in three of Baan's Regions (Americas, EMEA, Asia Pacific); deep expertise in at least two of Baan's industry verticals (Aerospace & Defense, Automotive, Electronics, Process Industries, Project Industries); over 500 consultants (globally) trained on the Baan product.

Employees

Worldwide, Origin has 15,000 employees of which 800 are dedicated to their Baan practice. In North America, there are more than 200 Trained Baan Specialists.

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Implementation Approaches

Origin developed a standard approach for contract management. Rainbow is the overall term for Origin's philosophy, methodology and toolset for the management control and guidance of their contracts and has incorporated ValuBase Selling (Holden Corporation). Successful management of service contracts is essential for satisfying the customers' needs. Rainbow supports this by facilitating consistent and clear decisions by authorized management based on the facts at key points in the acquisition and execution of their service contracts. These facts are drawn from a detailed assessment of all the data necessary for facilitating a successful implementation. Origin uses Baan's Target Enterprise methodologies to manage implementation activities.

Ongoing Support Offerings

Origin has been certified by Baan for the support of not only past versions of Standard Baan but any extensions made to the standard product. This provides clients with One Stop Shopping for all support services related to their Baan based business solution.

Pricing Approaches

Project Pricing

Origin's approach involves a detailed Assessment exercise with the client to establish the appropriate project expectations with management. Upon completion of the Assessment, both parties have a clear understanding of the project scope, risk analysis, detailed milestone plan and costs. With this plan in place, Origin has a number of project pricing options which can be tailored to the specific needs of the client

Support Pricing

Origin has a number of support alternatives which are based on a percentage of the Development work performed. Support pricing ranges from 6-20% based on the hours of support coverage and the type of support requested

Alliances and Partnerships

In May 1997, Price Waterhouse and Origin formed a strategic alliance, to market and deliver third party software, systems integration, management consulting and related business process consulting services worldwide. In addition, to support the increasingly growing list of Baan technology, Origin has formed close alliances and partnerships with companies such as: Aurum, Berclain, Hyperion, Safari, IBM, Hewlett-Packard, Compaq, Digital, SGI, Oracle, and Informix.

Vertical Market Competencies

Origin focuses on the automotive, A&D, process and electronics subsectors of the vertical markets noted in Exhibit 1. The table also indicates the percentage of Origin projects represented by each vertical market.

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Exhibit 2 details Origin's participation in seven broad market categories, in terms of the level of consulting or implementation involvement (e.g., consulting with the client, who will then perform the implementation, or implementing the Baan system for the client).

Exhibit 1

Vertical Market Expertise

Vertical Market	Sub-segment	% of Projects
Discrete Manufacturing	• Automotive • Aerospace • Electrical & Electronic • Mechanical/Engineering	60%
Process Manufacturing	• Food and Beverage • Pharmaceuticals • Chemicals • Oil and Gas	25%
Distribution	• Retail • Wholesale	15%

Source: Origin

Exhibit 2

Level of Vertical Market Involvement, by Activity

Vertical Market	Consulting	Implementation
Aerospace & Defense	High	High
Automotive	High	High
Process Industries	High	High
Hybrid	High	High
Project Industries	Medium	Medium
Electronics	High	High
General Manufacturing	High	High

Source: Origin

Strategic Positioning

Baan has recognized Origin as a partner of choice in the selection of the 1996 Global Partner Awards. As one of Baan's largest global partners, Origin possesses an enormous Baan experience pool. Within the Global Baan Practice alone, Origin has over 2,500 person-years of experience with the Baan product.

Origin is a partner of choice for Baan's largest customers. Its Software Integration group and its Implementation Consulting and Development groups provide Origin with full capability to manage large system integration projects. Origin's list of clients includes:

- Boeing - Baan's largest A&D customer
- Nortel - Baan's largest Telecommunications customer

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- Union Camp - Baan's largest Process customer
- Philips - Baan's largest Electronics customer

Plans for the Future

Origin is aggressively building its Software Integration group within the Baan Service Line. This initiative will allow clients to create Baan-based business solutions which incorporate the BAAN ERP backbone along with other client and third party modules. The resulting Component Architecture simplifies the incorporation of new functionality on an incremental basis without the worry of modules or release levels used in the initial solution. This initiative is in line with Baan's stated direction for The BAAN Series and beyond.

Origin is developing a center of excellence for the Process, Electronics, and Automotive vertical markets. The objective and purpose of a solution center is to design and build solutions that are industry specific. This will be accomplished in a joint effort with alliance partners such as Price Waterhouse, Coopers and Lybrand, The Baan Company as well as third party software vendors such as Hyperion and Numetrics. The solution will include business templates, pre-configured software (Baan and third party vendors) and pre-defined services.

Origin will continue to focus on Canada, the United States and Mexico in North America, and on France, Germany, Italy, The Netherlands, the United Kingdom and the Nordic region in Europe.

Selected Customer Projects

Globally, Origin has completed 150 Baan projects. In North America, Origin has been involved in more than 40 projects. The projects referenced in Exhibit 3 are a sample of Origin-supported Baan installations in North America.

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Exhibit 3

Origin References

Baan Customer	Industry (Vertical Market or Subsegment)	Project Details
Nortel	Electronics	Consulting, Implementation, Development, and Integration services for worldwide Baan roll out as enterprise backbone solution. The roll out will encompass 33 sites in 10 countries.
Int'l manufacturer and distributor of material handling products	Industrial Equipment	BAAN IVb full implementation in multi-site environment. The project covers 4 manufacturing sites, 21 branch sales and service operations, 75 independent dealers, and all supporting staff and administrative functions.
Union Camp	Pulp & Paper Packaging	BAAN IVb implementation, including Consulting, Project Management, Training, and Development & Integration Services. The project covers 3 plants, central sales, and 150 users, for the paper industry implementation, and 2 plants with the full suite of Baan applications for the packaging group.
PSC	Electronics	BAAN IVb rapid implementation and software integration within a four month time-frame
PCC	Electronics	Rapid TRITON 3.1b full implementation within a five month time-frame
A'dec	Discrete	Post-implementation stabilization & optimization consulting
Mettler-Toledo, Inc.	Discrete Manufacturing of Weighing and Measuring Products	BAAN IVc implementation, including Consulting, Project Management, and Training. The current ongoing project will provide application support for a newly formed Marketing and Customer Service organization. Subsequent scope to include several manufacturing sites, other marketing operations, and corporate finance

Source: Origin

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December 1997

PA Consulting Group — SAP Services

PA Consulting Group
Cambridge Laboratory
Melbourn, Royston
Hertfordshire
SG8 6DP
England
Tel: 01763 261 222

The following profile outlines the services and support offered by PA Consulting Group to its clients for SAP services.

Company Background

PA Consulting Group was founded in 1943 with the mission to raise productivity and performance in manufacturing companies. Today the company is a leading international technology management consultancy, operating in the industrial, commercial and government markets.

PA, based in London, has some 2,000 staff spread over 50 offices in 20 countries in Western Europe, North America, Asia Pacific and Eastern Europe. In 1995, the company had worldwide revenues of $114 million of which 74% were generated in Europe.

SAP Activities

PA started its activities in the SAP services market in 1994. The company is an SAP (UK) Logo Partner and has a SAP Competence Center in its Cambridge office.

Employees

PA has 1,100 employees in the U.K. of which currently 59 are SAP specialists. The company has been quick to build up its SAP skills since it entered the market two years ago and is eager to continue to expand in this area. PA additionally plans to grow to more than 200 professional SAP staff in continental Europe.

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Services

PA believes that a successful R/3 implementation requires a wide variety of skills as well as a technical understanding of the R/3 system. These other skills include a clear understanding of business needs, experience of implementation and integration of large-scale systems and ability to manage all aspects of the project. Only by combining all these factors will an R/3 implementation deliver all the required and expected business benefits.

The company has developed an R/3 implementation framework, Pace, which ensures that the business benefits are identified and addressed early in the project. PACE enables concurrent re-engineering and implementation by ensuring close co-operation between the R/3 implementation team and the business process re-engineers. Exhibit 1illustrates why Pace is central to PA's philosophy of SAP implementation.

PA Consulting Group summarizes its range of services as delivering "end-to-end" solutions including:

- Concept prototyping
- System analysis
- Design, development and implementation of total SAP solutions
- Feasibility studies and technology surveys
- Business process re-engineering.

PA Consulting Group has experience and skills in all vertical markets. However, the company's background in manufacturing is still evident. Exhibit 2 shows PA's level of involvement in the consulting and implementation phases of a project by vertical market sector.

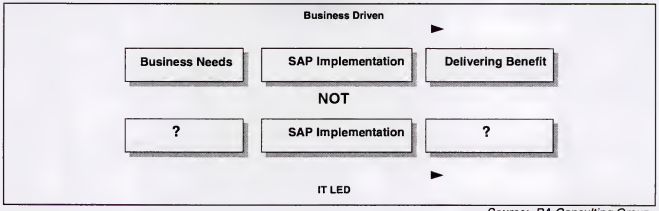
PA's market competencies as reflected in Exhibit 2 relates to its SAP consulting and implementation activities only and do not reflect the company's broad competencies in other areas and markets.

Exhibit 3 shows examples of major SAP projects that PA Consulting Group has undertaken, followed by an in-depth description of one of the company's SAP projects.

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Exhibit 1

Key To Successful SAP Implementation



Source: PA Consulting Group

Exhibit 2

Vertical Market Involvement

Vertical Market	Consulting	Implementation
Finance	Low	Low
Retail	Low	Low
Utilities	Medium	Medium
Communications	Medium	Medium
Transport	Low	Low
Business Services	High	High
Discrete Manufacturing	High	High
Process Manufacturing	High	High

Source: PA Consulting Group

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Exhibit 3

Selected Customer Projects

Customer	Industry	Project Details
Cadbury, Russia	Process Manufacturing	PA assisted in implementing financial and several manufacturing modules
British Gas plc, U.K.	Utilities	Major overhaul of Human Resource (HR) and payroll systems, including Business Process Re-engineering, implementation of HR and financial modules
The West Company, Europe	Process Manufacturing	Extensive Business Process Re-engineering. Implementation of financial and several manufacturing modules
Leica, Europe	Discrete Manufacturing	Business Process Re-engineering project and implementation of SAP financial, materials management and sales and distribution modules

Source: PA Consulting Group

Strategic Positioning

PA Consulting Group prides itself in having developed a methodology that seamlessly ensures tight integration of business process and IT implementation. The company has extensive experience of rapid systems development (RSD) techniques and implementation. RSD was initially designed by PA for bespoke developments where it helped achieve three to four-fold improvements in delivery times.

PA bases its implementation approach on business processes, not modules. The company believes that this approach enables it to deliver clear business benefits as an integral part of a SAP R/3 project.

In a change project it is important to be able to manage the human aspects of achieving the change. PA uses experience and skills from its Human Resource consultancy practice in its SAP.

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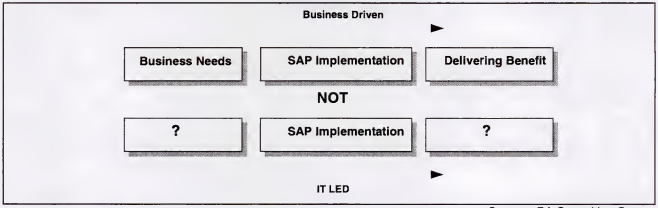
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COMPANY PROFILE

PAC CORPORATION
1617 St. Mark's Plaza
Suite A
Stockton, CA 95207
(209) 951-8697

Michael Van Derworp, President
Private Corporation
Total Employees: 45
Total Revenue, Fiscal Year End
12/31/86: $3,000,000*

THE COMPANY

- PAC Corporation, founded in 1971, provides turnkey systems and associated support services primarily for construction applications to contractors, builders, architects, and job shops. PAC is an authorized value-added reseller for IBM PC and System/36 computers.

KEY PRODUCTS AND SERVICES

- Approximately 90% of PAC's 1986 revenue was derived from turnkey systems and 10% from associated maintenance and support services.

- PAC's turnkey systems are based on IBM System/34, System/36, and PC systems.

 - Software modules available include the following:

 . Standard Applications.
 - General Ledger with Financial Reporting.
 - Accounts Payable.
 - Payroll.
 - Accounts Receivable.
 - Fixed Assets.
 - Cash Management.
 - Sales Analysis.
 - Inventory.
 - Property Management Accounting.

 . Construction Accounting Applications.
 - Job and Equipment Costing.
 - Contract (P.O.) Control.
 - Estimating.
 - Project Moduling.
 - Loan Servicing.
 - Residential Sales Analysis.
 - AIA Billing.
 - Contract Hauling/Billing.

*INPUT estimate

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- Farm Accounting Applications.
 - Crop and Equipment Costing.
 - Packing Shed Accounting.
 - Cotton Gin Accounting.
- Other.
 - Waste Management Billing and Receivables.
 - System 34/36 Operations and Development Aids.

INDUSTRY MARKETS

- Approximately 80% of PAC's 1986 revenue was derived from the construction industry and 20% from the retail distribution industry.
- Approximately 10% of sales are made through dealers.
- Target clients include contractors, builders, architects, and job shops.
- PAC's inventory control program originally was designed for Midas Muffler Shop franchises.

GEOGRAPHIC MARKETS

- One hundred percent of PAC's revenue is derived from the U.S. Clients are located primarily in California.
- In addition to its Stockton office, PAC has a sales office in Orange (CA).

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October 1996

Pacific Telesis Group

Chairman, President, & CEO: Phil Quigley
130 Kearny Street
San Francisco, CA 94108
Phone: (415) 394-3000
Fax: (415) 989-7606
Internet: http://www.pactel.com

Status:	Public
Employees:	48,889 (12/95)
Revenue:	$9,024,000,000
Fiscal Year End:	12/31/95

Key Points

- Pacific Telesis Group provides a range of voice and data communications and information services in California and Nevada.
- In April 1996, Pacific Telesis and SBC Communications announced a definitive agreement to merge. The new company will become one of the world's largest telecommunications companies, serving seven of the nation's 10 largest metropolitan areas and 16 of its 50 largest markets.
- As a result of passage of the Telecommunications Act, Pacific Telesis is moving to offer its customers one-stop shopping for local, long-distance, and wireless services.
- During 1995, Pacific Telesis formed separate subsidiaries to provide Internet access and network integration services.

Company Description

Pacific Telesis is one of seven regional holding companies formed in connection with the 1984 divestiture by American Telephone and Telegraph (AT&T) of its 22 wholly owned operating telephone companies.

Pacific Telesis, through Nevada Bell and Pacific Bell and its wholly owned subsidiaries,

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provides a range of local exchange service, network access, toll service, directory advertising, Internet access, network integration services, and selected information services in California and Nevada.

In April 1996, Pacific Telesis and SBC Communications, Inc. announced a definitive agreement to merge.

- The merger involves an exchange of stock, with current Pacific Telesis stockholders receiving 0.733 shares (subject to certain adjustments) of SBC common stock for each of their shares. After the tax-free exchange, 66% of the combined company's stock will be retained by SBC shareholders and 34% by Pacific Telesis investors.

- The merger is expected to be approved within the first quarter of 1997. It must be approved by the California Public Utilities Commission, the U.S. Department of Justice, and the Federal Communications Commission.

- The company will be known as SBC Communications, Inc., with Edward E. Whitacre, Jr. serving as chairman of the board and chief executive officer. Phil Quigley will be vice-chairman of the board and second in command; he will continue to operate exchange operations in California and Nevada.

- Upon completion of the merger, SBC will have more than 100,000 employees, revenues of more than $21 billion, operating cash flow of $9 billion, and income of almost $3 billion.

- The combined operations will serve, among others, the nation's two most populous states—California and Texas—seven of the country's 10 largest metropolitan areas, and 16 of the top 50 markets. The new company will serve more than 30 million access lines in high-growth areas and have access to more than 80 million potential wireless customers across the country.

- The combined company will offer products and services under brand names including Southwestern Bell, Pacific Bell, Cellular One, and Nevada Bell.

- Strategically, the merger is expected to create a telecommunications company with a focus on the growing Latin American and Asian markets and enhance the combined company's ability to compete successfully in the U.S. long-distance market.

- The new company plans to take advantage of SBC's strengths in product development, marketing, and sales, and Pacific Telesis' network engineering skills, efficiency in process management, and cost containment.

- Although the corporate headquarters will be in San Antonio (TX), the company will maintain headquarters of Pacific Bell and Nevada Bell in California and Nevada. In addition, a new company will be headquartered in California to provide integrated administrative and support services for the combined companies.

- California will also be the headquarters for the company's long-distance, Internet, and international operations. The wireless headquarters will be in Dallas.

Operations and Structure

Pacific Telesis is currently the holding company/parent of two Bell operating companies—Pacific Bell and Nevada Bell—and various diversified subsidiaries.

Pacific Bell and its wholly owned subsidiaries operate in California.

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- Pacific Bell Directory publishes the Pacific Bell SMART Yellow Pages®.
- Pacific Bell Information Services provides business and residential voice mail and other selected information services.
- Pacific Bell Mobile Services was formed in 1994 to pursue opportunities in personal communications service (PCS) wireless services for the business and consumer markets.
- Pacific Bell Internet Services was formed in 1995 to provide Internet access services to customers in California.
- Pacific Bell Network Integration was formed in 1995 to pursue opportunities in the network integration business.
- Pacific Bell Communications was formed in 1995 to compete in the long-distance market under the Telecommunications Act of 1996.

Nevada Bell provides telecommunication products and services in Nevada.

Other subsidiaries/units include the following:

- Pacific Telesis Enterprises was formed as a holding company for certain other subsidiaries and work groups that are pursuing entry into competitive and/or emerging markets such as wireless, traditional and interactive video, and Internet information and shopping services.
- Pacific Telesis Enhanced Services was formed to provide support functions to certain other subsidiaries, thereby allowing those subsidiaries to focus on service and customer development.
- Pacific Telesis Interactive Media (PTIM) will be the successor company to ESS Ventures, the joint venture with *The Los Angeles Times*. PTIM offers At Hand, an online service that supplies California-specific information, activity, and shopping on the Internet.
- Pacific Telesis Video Services was formed to provide video services.

Company Strategy

Pacific Telesis' vision is to enrich people's lives through communications and access to information, education, and entertainment services.

The company's mission is to build customer loyalty and be the customer's first choice for telecommunications and information services; to foster a culture that ensures employee commitment; and to build value for its shareholders.

With increasing competition for existing services and the introduction of local service competition in California effective January 1, 1996, Pacific Bell and Nevada Bell face an increasingly competitive marketplace. In response to the competitive challenge, management developed three key strategies intended to provide a consistent, integrated focus for decisions and action. These strategies include:

- *Strengthening the core telecommunications business* by continuing to improve customer service and reduce costs, upgrading network and systems capabilities, and retaining and expanding existing markets through product and channel innovation. Focus areas for expansion include high-growth data markets, voice mail, additional residential lines, and custom calling services.
- *Developing new markets* to create new revenue sources, including opportunities in long-distance, video dial tone, PCS, wireless

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digital television, Internet access, home entertainment, and other information services.

- *Promoting public policy reform* that promotes fair competition and ensures that responsibility for universal service is shared by all who seek to provide telecommunications services.

Financials

A five-year financial summary is shown below.

Net losses of $2.3 billion for 1995 include a noncash extraordinary charge of $3.4 billion ($7.89 per share) resulting from the discontinued application by Pacific Bell of special accounting rules for entities subject to traditional regulation and its change to the general accounting rules used by competitors.

Revenue by Product/Service

A three-year summary of source of revenue for Pacific Telesis and its subsidiaries is shown on the following page.

Pacific Telesis Group
Five-Year Financial Summary
($ Millions, except per share data)

	Fiscal Year				
Item	1995	1994	1993	1992	1991
Revenue	$9,042	$9,235	$9,244	$9,108	$9.168
• Percent change from previous year	(2%)	--	1%	(1%)	1%
Operating income before taxes	$2,011	$2,194	$662	$2,083	$1,951
• Percent change from previous year	(8%)	231%	(b) (68%)	7%	(b) (5%)
Income from continuing operations	$1,048	$1,136	$191	$1,173	$931
• Percent change from previous year	(8%)		(84%)	26%	(5%)
Income (loss) from spunoff operations	--	$23	$29	$(31)	$84
Net income (loss)	$(2,312)	$1,159	$(1,054)	$1,142	$1,015
• Percent change from previous year	(a) (299%)	177%	(c) N/A	13%	(c) (1%)
Earnings (loss) per share	$(5.43)	$2.73	$(3.63)	$2.83	$2.58
• Percent change from previous year	(a) (299%)	175%	(c) N/A	10%	--

(a) Includes an extraordinary charge of $3.4 billion ($7.89 per share) for discontinuing regulatory accounting.

(b) Includes pretax restructuring charges of $1.4 billion in 1993 and $203 million in 1991.

(c) Includes restructuring and accounting charges of $2.7 billion in 1993 ($4.89 per share) and $122 million in 1991 ($0.30 per share).

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Pacific Telesis and Subsidiaries
Three-Year Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1995		1994		1993	
Product/Service	Revenue $	Percent of Total	Revenue %	Percent of Total	Revenue $	Percent of Total
Local service	$3,815	42%	$3,455	37%	$3,477	38%
Network access—interstate	1,736	19%	1,612	17%	1,622	18%
Network access—intrastate	711	8%	734	8%	683	7%
Toll service	1,232	14%	2,006	22%	2,058	22%
Directory advertising	1,031	11%	1,003	11%	1,007	11%
Other (a)	517	6%	425	5%	397	4%
Total	$9,042	100%	$9,235	100%	$9,244	100%

(a) Includes information services and billing and collection services.

Interim Results

Revenue for the six months ending June 30, 1996 reached $4.73 billion, up from $4.48 billion for the same period in 1995. Net income was $579 million, compared to $542 million for the same period a year ago.

Industry Markets

Pacific Telesis' revenue is derived primarily from residential and business telephone customers and interexchange carriers.

Approximately 9%, 11%, and 11% of Pacific Telesis' revenues for 1995, 1994, and 1993, respectively, were derived from services provided to AT&T.

Geographic Markets

Virtually 100% of Pacific Telesis' revenue is derived from the U.S.

Acquisitions and Divestitures

In July 1995, Pacific Telesis acquired Cross Country Wireless Inc. (CWW). CWW has existing wireless television operations with more than 40,000 video customers in and near Riverside (CA) and holds licenses and rights to provide wireless television in Los Angeles, Orange County, and San Diego (CA).

- Pacific Telesis has also negotiated an agreement to acquire two companies (Wireless Holdings, Inc. and Videotron Bay Area, Inc.) with rights to provide wireless television in the San Francisco Bay Area, San Diego, and Victorville, as well as in several communities outside California. The two companies hold rights to reach about two million households in California and another two million in other parts of the country.

- When the planned acquisitions are complete and the networks are built, Pacific Telesis will be able to reach seven million households in California.

Effective April 1, 1994, Pacific Telesis spun off its domestic and international wireless operations to form AirTouch Communications (formerly PacTel Corporation) in a one-for-one stock distribution.

- The operations of AirTouch include the cellular, paging, and vehicle location and

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other wireless telecommunications services in the U.S., Europe, and Asia, formerly offered through PacTel Corporation.

- AirTouch, with approximately 4,700 employees,had revenue of $988 million and net income of $34.5 million for 1993.

Pacific Telesis has sold off all of its wholly owned subsidiaries that owned cable franchises in the U.K. The final sales were made to a subsidiary of Jones InterCable, Inc. in January 1994. The company retains options to purchase from TC Cable, Inc. up to a 75% interest in Prime Cable of Chicago.

Employees

As of December 31, 1995, Pacific Telesis (excluding spun-off operations) had 48,889 employees, compared to 51,590 as of December 1994 and 55,355 as of December 1993.

Employees were segmented as follows:

Pacific Bell	47,202
Nevada Bell	860
Corporate and other	827
	48,889

Key Products and Services

Pacific Bell

Pacific Bell provides approximately 75% of California's 31 million residents with telecommunications products and services, including:

- Dial tone and usage services, including local service (both exchange and private line), message toll services within a service area, Wide Area Toll Service (WATS)/800 services within a service area, Centrex service (a central office-based switching service), and various special and custom calling services
- Data networking capabilities provided through Pacific Bell's switched data services—ISDN, frame relay, switched multimegabit data service (SMDS), and asynchronous transfer mode (ATM)
- Exchange access to interexchange carriers and information service providers for the origination and termination of switched and nonswitched (private line) voice and data traffic
- Billing services for interexchange carriers and information service providers
- Various operator services
- Installation and maintenance of customer premises wiring
- Public communications services
- Directory advertising
- Selected information services, such as voice mail
- Internet access services
- Network integration services

Pacific Bell and Nevada Bell continue to invest heavily in improvements to the core telecommunications networks. A total of $1.9 billion was spent on the telecommunications networks during 1995. The focus of these investments has been in various advanced digital technologies, as follows:

- Signaling System 7 (SS-7) permits faster call setup and custom calling services.
- ISDN allows simultaneous transmission of voice, data, and video over a single

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telephone line. Sales of ISDN lines grew 130% during 1995, from 25,000 to more than 53,000 lines by year end. There are currently more than 92,000 ISDN lines in service. The company expects ISDN services to make digital access available to all Californians by 1998.

- Pacific Bell is working with AT&T to develop and field test an Advanced Communications Network (ACN) in California.

 - In addition to providing advanced telecommunications services, the new network should serve as a platform for other information providers and will offer customers alternatives to existing cable television providers. ACN will support high-bandwidth services such as video on demand, electronic home banking and shopping, interactive education, and on-line multiplayer video games.

 - The ACN technology uses a hybrid fiber/coaxial cable architecture that should be cost effective to deploy and operate and allow Pacific Bell to achieve significant operational savings.

 - During 1995, company management decided to concentrate development and deployment of the ACN in San Diego and the San Francisco Bay Area, two of Pacific Bell's most competitive markets. Construction will be slower than originally planned.

- Capital spending for 1996 includes the cost of upgrading and maintaining the core telecommunications network and system capabilities, meeting customer demand for new access lines, building the PCS network, and constructing the wireless digital television networks.

- California Research and Education Network (CalREN) is Pacific Bell's program to develop advanced business broadband services applications by offering selected universities, schools, research laboratories, hospitals, and high-tech companies pro bono access to high-speed communications services.

- Pacific Bell's Education First initiative is dedicated to accelerating the deployment of technology to support education in California. The program offers California's schools and libraries access to the Internet through ISDN, and includes $100 million in Pacific Bell services; discounted computers and equipment from companies such as AT&T, IBM, and Apple Computer; and assistance with teacher training and curriculum development.

Internet Services

Pacific Bell Internet Services (PBI) was formed in July 1995 to provide Internet access services to a range of commercial customers and consumers in California.

In September 1995, PBI introduced its high-speed dedicated access Internet service for business customers.

- Basic Internet access services include full, unrestricted connection to the Internet; domain name registration, e-mail and news services, and backup domain name, e-mail, and news services.

- Transport options include a range of high-speed dedicated Pacific Bell network-based connections to the Internet, including Pacific Bell FasTrak Frame Relay, SMDS, DS1, and ATM cell relay data transport services.

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- Hardware available includes routers and Internet-ready server hardware from Cisco Systems and Sun Microsystems. Through Sun's resellers, Netra Internet Servers and FireWall-1 security software are available to PBI customers.

- PBI plans to offer business customers Web hosting services in the near future.

In May 1996, PBI launched dial-up Internet services for residents, small businesses, and telecommuters, providing customers with access to e-mail, newsgroups, and the World Wide Web for less than $20 per month.

- The service features a free, customized version Netscape Navigator software.

- With a local phone call, customers can connect at speeds up to 28.8 kpbs. High-speed ISDN service at 128 kpbs is also available.

- Two pricing plans are available:

 - With Carefree Access pricing, for $14.95 per month, customers receive 20 hours of use, with each additional hour priced at $0.50 until customers hit a price cap of $19.95.

 - With Basic Access pricing, for $9.95 per month, customers receive 10 hours and each additional hour costs $1. There is no cap with this plan.

 - The first 30 days are free.

- Other features of the service include a California Cool navigational tool for searching regional news and information; and Pacific Bell At Hand, a listing of every business in California produced by Pacific Bell Interactive Media.

- Around-the-clock technical support is available via a toll-free telephone number or e-mail.

- The dial-up service is now available in more than 350 communities in six regions of California—Sacramento, San Francisco, Los Angeles, San Diego, Stockton, and Fresno.

- The services will be available to 85% of the state's consumers by year end.

- In August 1996, PBI announced plans to become the first company to offer a Macintosh version of Netscape Navigator 2.02 dial-up client software to the California marketplace.

Planned enhancements for PBI later this year include:

- Availability of a complete package of high-speed ISDN Internet access services along with hardware and software

- Internet filtering software from SurfWatch Software, Inc. that allows Internet parental control by screening out objectionable content

- Guest electronic mail boxes for family members and friends of subscribers

- Customized home pages and personal Web pages

PBI has alliances with various companies such as America Online, Netscape Communications, Yahoo!, Sun Microsystems, Cisco Systems, and Ascend Communications.

- In July 1996, PBI and IBM Global Network announced a joint interconnection agreement whereby the IBM Global Network will install high-

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speed links between its international Internet backbone and PBI's local network, providing California customers with long-distance data connection and global connectivity to the Internet.

- In July 1996, PBI and *The Sacramento Bee* announced a joint marketing alliance to promote PBI's Internet services and attract new users. *The Sacramento Bee* offers on-line news and information services via its Web site on the Internet.

- In May 1996, PBI and America Online (AOL) announced plans to offer AOL's on-line service to PBI subscribers at a reduced rate.

- In June 1996, PBI and the *Los Angeles Times* formed a joint marketing and distribution alliance to offer a customized dial-up Internet access service to the *Los Angeles Times*' Web site and other Southern California information.

Network Integration Services

Pacific Bell Network Integration (PBNI), a wholly owned subsidiary with approximately 100 employees, provides end-to-end data networking services, including consulting professional services, networking equipment and installation, proactive network management, and ongoing support services.

- Pacific Bell provides customized network solutions for specific data networking applications, LANs, WANs, switched networks, and multivendor environments.

- PBNI can act as a single point of contact, from equipment purchase through installation through ongoing network management and support.

- Professional consulting services include standard projects such as network design and numbering schemes, router configuration and documentation audits, and Internet traffic flow. Customized services include assessing network requirements, logical and physical network design, conducting performance and operational analyses, and handling project planning and management.

- Internetworking equipment and installation services include LAN/WAN hardware and software products, together with on-site installation.

- Network management services range from help desk support and proactive maintenance to total network management.

PBNI also offers integrated solutions for common internetworking needs.

- Office Pack[SM] integrates everything companies require to establish seamless remote LAN access. It includes software and hardware from other vendors; Pacific Bell FasTrak ISDN, frame relay, or analog transport services, installation, and project management services; and network management and support.

- Internet Support Pack[SM] is an all-inclusive package designed to help companies improve communication and productivity through access to the Internet and the World Wide Web. Customers can choose either a basic entry-level package or an advanced package, complete with security features. The packages include products from leading vendors; installation and project management services; and multiple security options.

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In May 1996, PBNI and IBM ISSC announced a "go to market" alliance to offer end-to-end network design, installation, management, and monitoring all the way to the desktop.

- PBNI will provide network design, implementation, management, consulting services, and internetworking equipment, while ISSC supplies expertise in systems design and implementation, systems management and consulting, and applications development.

- The alliance provides Pacific Bell employees and customers with access to integrated communications and computing solutions through a single source with one phone call.

- As part of the alliance, Pacific Bell will contract for services from ISSC in some areas of managing its desktop environment. Pacific Bell will outsource a portion of its help desk, local support, and asset management to ISSC. A third vendor, Entex, will handle procurement, installation, moves and additions, changes, and repairs.

In support of its network integration services, Pacific Bell also has alliances with various hardware and software vendors, including Checkpoint Software Technologies, Raptor Systems, Novell, Kentrox Industries, Cisco Systems, Compression Labs, and Network Solutions.

Video Services

In July 1995, the FCC approved Pacific Bell's applications for authority to offer video dialtone services in specific locations in California.

- The approval allows Pacific Bell to begin installing the video-specific components of its ACN. The company began offering video services in the City of San Jose in September 1996.

- In June 1996, Pacific Bell Video Services and San Jose finalized a cable TV franchise agreement. San Jose was the site of a successful test of cable services involving the transmission of video, Internet data, and telephone services over Pacific Bell's ACN.

- The Telecommunications Act of 1996 terminates the FCC's video dialtone rules and regulations. The FCC is finalizing its replacement, called Open Video Systems.

Pacific Bell Video Services has showcased its wireless digital transmission facility in El Monte (CA), testing its MMDS (multichannel, multipoint distribution service) technology. The company anticipates launch of commercial service in early 1997.

TELE-TV is the company's joint venture with Bell Atlantic and NYNEX to provide nationally branded home entertainment, information, and interactive services over new video dialtone networks.

Voice Mail Services

Pacific Bell Information Services (PBIS), a wholly owned subsidiary of Pacific Bell, offers voice mail services for business and home use.

Current products include The Message Center℠ voice mail for home use, Pacific Bell Voice Mail for businesses, and Pacific Bell Call Management, a service that handles incoming business calls and connects computer databases to answer routine customer requests.

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Other services include the following:

- Computer-telephone integration allows businesses simultaneously to transfer both a caller from a voice processing application and that caller's data file from a computer directly to a live agent for improved customer service.
- Text-to-speech translation—Callers can actually hear information accessed from a database. Data—such as locations or account status—is automatically translated to synthesized speech.
- Speech recognition allows callers to respond orally to voice prompts, rather than use their touchtone keypad.
- VoiceChoice[SM] allows companies with large peak inbound voice processing needs to pay only for minutes used rather than buy ports.
- Pacific Bell 1Mail integrates voice mail, fax capabilities, and e-mail to create a multimedia mailbox.

Data Communications Services

Pacific Bell also provides data communications network products and network integration services in support of customer demand for enterprise-wide interoperability.

Products available include:

- FasTrak Frame Relay 128 kpbs Internet access
- Advanced Digital Network (ADN)
- High Capacity Digital Service (HCDC)
- Switched Digital Service 56
- Public Packet Switching Service (PPS)
- Switched Digital Service ISDN
- Centrex ISDN
- Frame Relay
- Switched Multimegabit Data Service (SMDS)
- Advanced Broadcast Video Service (ABVS)

Value-added services provided by Pacific Bell to enhance its transport products include alliance partnering, technical sales support, and training and education.

The Pacific Bell Health Care Market Group, formed in 1993, supports the integration of advanced voice and data systems to assist in reducing health care administration expenses while enhancing patient services.

Billing and collection services are provided to both interexchange carriers and enhanced service providers through contract and also through an intrastate tariff as approved by the California Public Utilities Commission. Several billing arrangements and options are available to carriers and providers.

Personal Communications Services

Pacific Bell Mobile Services (PBMS) was formed in 1994 to pursue opportunities in PCS.

- In 1995, PBMS obtained two licenses to offer PCS services in California and Nevada from the FCC. PBMS has begun to deploy its network to provide PCS. The network will incorporate the GSM standard, which is widely used in Europe.

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- PBMS' new wireless PCS technology debuted in August 1996 at the Republican National Convention in San Diego (CA).

- Pacific Bell's commercial launch of PCS begins later this year and will cover all major cities in California and Nevada in 1997.

Nevada Bell

Nevada Bell provides telecommunication products and services, similar to those of Pacific Bell, in Nevada. Nevada Bell serves approximately 30% of Nevada with more than 275,000 access lines.

Virtually all of Nevada Bell's telephone lines use digital technology. Its statewide network, which encompasses 14 of Nevada's 17 counties, is 99% digitally switched. In the greater Reno area, Nevada Bell's telecommunications network is 100% digitally switched. The company also offers a fiber optic loop around Reno.

Marketing and Sales

Pacific Telesis markets its products and services through regional, statewide, and local business operations, and also through a number of indirect marketing channels.

Pacific Bell has established marketing forces in four geographic regions in the state of California to focus on customers whose businesses are primarily regional. In addition, marketing resources have also been created to cater to customers whose operations are statewide, such as health care and government organizations. Pacific Bell's local demand business offices are located statewide for access by residential and business customers.

Indirect sales channels are also used and include sales agents, joint marketing partners, authorized distributors and outside telemarketing firms.

Alliances

TELE-TV is a joint venture with Bell Atlantic and NYNEX that was formed to deliver the next generation of nationally branded home entertainment, information, and interactive services.

- The partnership has two separate profit centers—a technology and integration (platform) division and a media division.

- The platform division (TELE-TV Systems) is developing integrated delivery, business, and operating systems to support the transport of traditional programming over VDT networks under construction by the partners and to provide greater access for content providers and programmers.

- The media division (TELE-TV Media) is developing a nationally branded portfolio of traditional programming for wholesale distribution throughout the U.S. and internationally; developing a user-friendly navigator technology; and providing content development from multiple sources.

- Development efforts will result in programming delivered over several distribution platforms, MMDS wireless technology, and full-service networks.

- The TELE-TV brand is scheduled for introduction to a limited number of households in each partner's region in early 1997, with an aggressive launch later in 1997.

- TELE-TV now owns the Digital Production Center in Reston (VA), a full-scale facility designed to produce and

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deliver entertainment, information, and IMTV services on demand.

In March 1994, Pacific Bell, Compression Labs, Inc. and Tele-Images, Inc. announced plans to build one of the world's largest videoconferencing networks for the State of California. By 1997, as many as 200 state and local agencies will use the network, which will support remote education, training, engineering design, interviews, and planning.

Andersen Consulting is marketing Pacific Bell's BPP client/server-based billing system to other telecommunications carriers.

Pacific Telesis also has formed strategic alliances with Hewlett-Packard, Scientific Atlanta, and Lucent Technologies.

Competitors

Internet competitors include on-line services providers such as CompuServe, hundreds of smaller Internet service providers, and major corporations such as AT&T and internetMCI.

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

June 1994

Pacific Telesis Group

Chairman & CEO: **Phil Quigley**
130 Kearny Street
San Francisco, CA 94108
Phone: **(415) 394-3000**
Fax: **(415) 989-7606**

Status:	Public
Employees:	55,355
Revenue:	$ 9,244,000,000
Fiscal Year End:	12/31/93

Key Points

- Pacific Telesis Group provides a range of local exchange service, network access, toll service, directory advertising and selected information services in California and Nevada.
- Effective April 1, 1994, Pacific Telesis spun off its domestic and international wireless operations to form AirTouch Communications (formerly PacTel Corporation) in a one-for-one stock distribution. Company management believes the spin-off will eliminate many of the financial, legal and regulatory constraints that have impeded Pacific Telesis' efforts to grow and compete.
- In November 1993, Pacific Bell announced a seven-year, $16 billion program to upgrade the company's core network infrastructure to begin building an integrated telecommunications information and entertainment network that will provide advanced voice, video and data services and two-way interactive video services in the future.
- Pacific Telesis is planning to aggressively pursue in-region personal communications services (PCS) licenses—the next generation of wireless communications. In January 1994, Pacific Telesis' Telesis Technologies Laboratory subsidiary concluded the nation's largest consumer marketing trial of PCS.

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- During 1993, Pacific Telesis recorded pretax restructuring charges totaling $1.43 billion. These charges include a $977 million charge related to incremental severance costs associated with terminating about 14,400 employees from 1994 through 1997 and costs for consolidating and streamlining operations and facilities to support a downsizing initiative. This re-engineering effort should dramatically improve the company's cost structure, generating cost savings of $1 billion annually in the long-term.

- Pacific Telesis Group continues to lobby for regulatory changes and more flexible pricing to compete in the changing marketplace.

Company Description

Pacific Telesis is one of seven regional holding companies formed in connection with the 1984 divestiture of American Telephone and Telegraph (AT&T) of its 22 wholly owned operating telephone companies.

The company and its subsidiaries currently provide a range of voice and data telecommunications and related services in California and Nevada.

Operations and Structure

Pacific Telesis is currently the holding company/parent of two Bell Operating Companies--Pacific Bell and Nevada Bell and various diversified subsidiaries as follows:

- Pacific Bell—and its wholly owned subsidiaries, Pacific Bell Directory and Pacific Bell Information Services—operates in California and is committed to upgrading its core network infrastructure to provide customers with a mix of voice, video and data services and allow for two-way interactive video services of the future.

- Nevada Bell provides telecommunication products and services regions of Nevada.

Pacific Telesis' current organization structure is shown in the exhibit.

Company Strategy

Pacific Telesis' multimedia strategy is based on key findings about the evolving market and competitive and technology trends in California. Traditional lines separating the telephone, cable TV, and computer industries are disappearing as technologies converge. For Pacific Telesis that means increased competition, but it also creates opportunities to enter new business from which the company has historically been barred.

Pacific Bell is focusing on the high-growth areas of its business--data, video and wireless--and segments its markets and delivers products to meet customers' needs.

- Pacific Bell has launched a $16 billion, seven-year project to upgrade its core network infrastructure and to begin building a communications superhighway in California. This will be an integrated telecommunications, information and entertainment network providing advanced voice, data and video services to its customers.

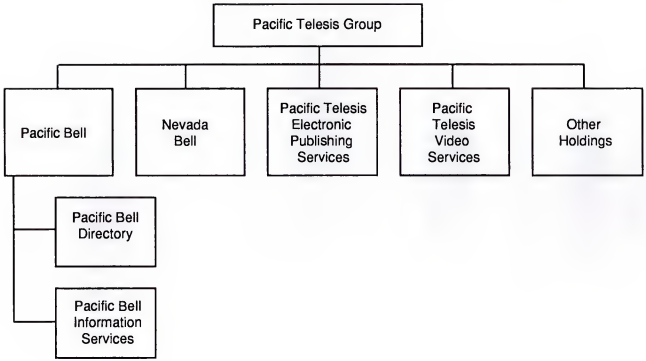
- Pacific Telesis has established marketing alliances that will facilitate the offering of information and interactive services to customers.

- In early 1993, Pacific Bell unveiled a $1 billion plan to replace all of its remaining analog switches with digital switches by the end of 1997. In addition to being able to offer bandwidth on demand and multimedia capabilities, the digital network will facilitate widespread introduction of new services such

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EXHIBIT

Pacific Telesis Organization Structure



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as ISDN and Advanced Intelligent Network (AIN) features such as Do Not Disturb and Custom Virtual Network.

- Pacific Telesis is planning to enter the wireless communications field by aggressively pursuing personal communications services (PCS) licenses.

The company is re-engineering its business processes and streamlining its operations. Plans include reducing Pacific Bell's workforce by about 3,000 jobs this year and 10,000 by 1997.

Financials

Due to the spin-off, the operations of AirTouch have been classified separately within Pacific Telesis' financial statements as "spin-off" operations" and are excluded from the amounts of revenues and expenses of continuing operations.

Pacific Telesis' 1993 revenue from continuing operations was $9.2 billion, a 1% increase over 1992 revenue of $9.1 billion.

- Net losses of $1.5 billion for 1993 reflect an after-tax restructuring charge of $0.9 billion related to reserves for downsizing and other activities and a $1.7 billion charge for the cumulative effect for a change in the method of accounting for postretirement and postemployment costs. Excluding these one-time items, net income rose 1.6% in 1993 to $1.16 billion.

- A five-year financial summary is shown on the following page.

Interim Results:

Revenue for the three months ending March 31, 1994 reached $2.3 billion, a slight increase over the same period in 1993. Net income was $305 million, compared to net losses of $1.7 billion. Excluding restructuring charges, other one-time adjustments and results from spun-off operations, net income increased 9.5%.

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Pacific Telesis Group
Five-Year Financial Summary
($ Millions, except per share data)

Item	Fiscal Year				
	1993	1992	1991	1990	1989
Revenue	$9,244	$9,108	$9.168	$9,052	$9,089
• Percent change from previous year	1%	(1%)	1%	--	N/A
Operating income before taxes	$662	$2,083	$1,951	$2,063	$2,400
• Percent change from previous year	(a) (68%)	7%	(a) (5%)	(a) (14%)	N/A
Income from continuing operations	$191	$1,173	$931	$981	$1,202
• Percent change from previous year	(84%)	26%	(5%)	(18%)	N/A
Income (loss) from spunoff operations	$29	$(31)	$84	$49	$40
• Percent change from previous year	N/A	(137%)	71%	23%	N/A
Net income (loss)	$(1,504)	$1,142	$1,015	$1,030	$1,242
• Percent change from previous year	(b) N/A	13%	(b) (1%)	(b) (17%)	N/A
Earnings (loss) per share	$(3.63)	$2.83	$2.58	$2.59	$3.02
• Percent change from previous year	(b) N/A	10%	--	(14%)	N/A

(a) Includes pretax restructuring charges of $1.4 billion in 1993, $203 million in 1991 and $109 million in 1990.

(b) Includes restructuring and accounting charges of $2.7 billion in 1993 ($4.89 per share), $122 million in 1991 ($0.30 per share) and $65 million in 1990 ($0.16 per share).

Revenue by Product/Service

A three-year summary of source of revenue, as provided by Pacific Telesis, follows:

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Pacific Telesis Group
Three-Year Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1993		1992		1991	
Product/Service	Revenue $	Percent of Total	Revenue %	Percent of Total	Revenue $	Percent of Total
Local service	$3,477	38%	$3,377	37%	$3,337	36%
Network access—interstate	1,622	18%	1,584	17%	1,516	17%
Network access—intrastate	683	7%	665	7%	775	8%
Toll service	2,058	22%	2,103	23%	2,181	24%
Directory advertising	1,007	11%	1,-20	11%	1,018	11%
Other	397	4%	359	4%	341	4%
Total	$9,244	100%	$9,108	100%	$9,168	100%

(a) Includes billing and collection services.

Industry Markets

Pacific Telesis' revenue is derived primarily from residential and business telephone customers and interexchange carriers

Approximately 11%, 12% and 12% of Pacific Telesis' revenues for 1993, 1992 and 1991, respectively, were derived from services provided to AT&T.

Geographic Markets

Virtually 100% of Pacific Telesis' revenue is derived from the U.S.

Acquisitions and Divestitures

A majority of the acquisition activity Pacific Telesis has been involved in over the past several years was related to its wireless/cellular operations which are now part of AirTouch Communications.

Effective April 1, 1994, Pacific Telesis spun off its domestic and international wireless operations to form AirTouch Communications (formerly PacTel Corporation) in a one-for-one stock distribution.

- The operations of AirTouch include the cellular, paging and vehicle location and other wireless telecommunications services in the U.S., Europe and Asia formerly offered through PacTel Corporation.

- AirTouch, with approximately 4,700 employees ,had revenue of $988 million and net income of $34.5 million for 1993.

Pacific Telesis has sold off all of its wholly-owned subsidiaries that owned cable franchises in the U.K. The final sales were made to a subsidiary of Jones InterCable, Inc. in January 1994. The company retains options to purchase from TC Cable, Inc. up to a 75% interest in Prime Cable of Chicago.

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Employees

As of December 31, 1993, Pacific Telesis (excluding spun-off operations) had 55,355 employees, compared to 57,023 as of December 1992 and 59,037 as of December 1991.

Current employees are segmented as follows:

Pacific Bell	54,026
Nevada Bell	860
Corporate	469
	55,355

Key Products and Services

Pacific Bell:

Pacific Bell provides nearly 20 million of California's 30 million residents with telecommunications products and services, including:

- Dial tone and usage services, including local service (both exchange and private line), message toll services within a service area, Wide-Area Toll Service (WATS)/800 services (volume discount offerings for customers with highly concentrated demand), Centrex service (a central office-based switching service), and various special and custom calling services
- Data networking capabilities based on a variety of data transport services, including Fast Packet Services such as switched multimegabit data service (SMDS) or asynchronous transfer mode (ATM)
- Exchange access to interexchange carriers and information service providers for the origination and termination of switched and dedicated (non-switched) voice and data traffic
- Billing services for interexchange carriers and information service providers
- Operator services
- Installation and maintenance of customer premise wiring
- Public communications services (including service for coin telephones)
- Directory publishing
- Selected information services, including voice mail, interactive voice response and electronic mail

In November 1993, Pacific Bell launched a $16 billion, seven-year project to upgrade its core network infrastructure and to begin building a communications superhighway in California. This will be an integrated telecommunications, information and entertainment network providing advanced voice, data and video services to its customers.

- In addition to providing advanced telecommunications services, the new network will also service as a platform for other information providers, and will offer customers an alternative to existing cable television providers. The integrated network is also expected to spur the development of new interactive consumer services in education, entertainment, government and health care.
- During 1994, Pacific Bell will begin replacement of traditional copper wires with fiber-optic and coaxial cables in parts of the Los Angeles, Orange County, San Diego and San Jose/Silicon Valley areas. Such cables carry 70 channels of analog TV and 150 to 300 digital channels for such services as

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video, home shopping and interactive games. Network capacity can be expanded to meet future needs. Fiber will run from Pacific Bell facilities to a location in the neighborhood that serves less than 500 homes. Coaxial cable will continue all the way to the home to remote network interface unit being developed by AT&T. This processor will deliver analog and digital services to the home and monitor the quality of the network.

- The new architecture allows Pacific Bell to bring a single wire to the home for voice, video and data communications. Inside the home, the customer's telephone and cable wiring will remain the same.

- The company expects to provide broadband services to more than 1.5 million homes by the end of 1996 and more than 5.0 million homes by the end of the decade.

- Pacific Bell has announced California Research and Education Network (CalREN)—a program to spur applications development by offering selected universities, schools, research laboratories, hospitals and high tech companies pro bono access to high speed communications services.

- In February 1994, Pacific Bell announced a $100 million investment in California public schools and public libraries to start them on the communications superhighway. Pacific Bell will offer linkage via ISDN for computer communications and video conferencing to each of the nearly 7,000 public K-12 schools, public libraries and community colleges in the Pacific Bell service territory by the end of 1996. Pacific Bell will provide up to five lines of ISDN and associated usage free for one year, with a commitment to develop an education tariff during 1994.

Recent, related activities in the areas of video, electronic publishing and personal communications services include the following:

Video Services—In December 1993, Pacific Bell filed applications with the FCC seeking authority to offer video dialtone services in specific locations in four of its service areas--the San Jose/Silicon Valley, Los Angeles, San Diego and Orange County.

- Once FCC approval is obtained, Pacific Bell will deploy the video exclusive components of its new advanced broadband network.

- In January 1994, Pacific Telesis Video Services (PTVS), a Pacific Telesis subsidiary, announced an advanced interactive television services trial with AT&T that let participants help decide what will be on California's communications superhighway.

- The trial, scheduled to begin in November 1994, will test consumer acceptance of services such as multiplayer games, interactive home shopping and educational programs, movies-on demand and time-shifted television programs. PTVS will purchase transport from Pacific Bell when video dialtone tariffs are approved.

- PTVS is also working with Hewlett-Packard to build an interactive video system that will offer consumers movies and other programs on demand by late 1994 or early 1995. HP will provide large video servers to distribute digital video "streams" to individual subscribers' homes.

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Electronic Publishing Services—In January 1994, the Los Angeles Times/Times Mirror and Pacific Telesis Electronic Publishing Services announced a plan to form a joint venture to design and offer electronic shopping information and transaction services beginning in late 1994.

- A combination of business listings, classified and display advertising, consumer ratings and editorial and promotional material related to product, service and business information will be made available in one convenient, integrated source.
- Consumers can place calls to assistants or gain access to the services through automated audiotext and home computers.
- The venture will also offer consumers in-depth information on a variety of topics, including home repair and maintenance, real estate rental and sales and auto, travel and entertainment services.

Personal Communications Services—Pacific Telesis is planning to enter the wireless communications field by aggressively pursuing personal communications services (PCS) licenses. Pacific Bell has been conducting PCS experiments and investigating various technological issues since June 1991 through its Telesis Technologies Laboratory, Inc. subsidiary.,

Other Highlights:

Other highlights of 1993 include the following:

- Pacific Bell unveiled a $1 billion plan to replace all of its remaining analog switches with digital switches by the end of 1997, leading to 100% ISDN availability.
- Over 117,000 new Centrex lines were added during the year. Growth was driven primarily by the introduction of Centrex Freestyle[SM], a package solution for the business market that include Centrex, voicemail and telephone equipment.
- Custom Calling Services were introduced in the residential and small business markets that allow customers to return, screen and trace calls.
- Several initiatives to enhance the reliability of the public network were implemented during the year.
- Pacific Bell surpassed one million in voice processing mailbox equivalents in 1993, making the company one of the world's largest voice processing service providers.
- Pacific Bell has been conducting trials for new services on Bellcore's Advanced Intelligent Network (AIN) platform in California. One service on the network tracks users of wireless services so they can receive and originate calls even outside their home territories.
- Two new services were launched that provide data network capabilities for businesses.
 - Frame Relay Service enables business customers to send data between branch offices and offers customers high-speed wide-area data networking services for all types of local-area network data traffic.
 - Asynchronous Transfer Mode/Cell Relay Service (ATM/CRS) enables large businesses to send data, voice and video traffic over a single high-performance network connection at speeds more than

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100 times faster than traditional analog circuits. The service was introduced in the San Francisco Bay Area and the Los Angeles basin in early 1994.

- During 1993, Pacific Bell introduced a tariffed digital video service, Advanced Broadcast Video Service (ABVS), was introduced to the broadcast and entertainment industries. Among other applications, this high picture quality service is being used to transport professional sports video events (such as the Superbowl) from the venue to the network and also to conduct remote edit review during postproduction of movies.

Pacific Bell Information Services (PBIS), a wholly owned subsidiary of Pacific Bell, offers voice mail services for business and home use. PBIS processes five million voice messages every business day, or 1.3 billion a year.

- Current products include The Message Center℠ voice mail for home use and Pacific Bell Voice Mail for businesses.

- PBIS also markets and installs a family of voice processing called Pacific Bell Call Management that can answer and route businesses' incoming telephone calls and hook up to computer databases to automatically answer routine customer questions.

- New products and services slated for 1994 include the following:

 - During 1994, Pacific Bell plans to release a Home ISDN service targeted for residential customers who want higher speed access to on-line information services or the Internet.

 - Computer-telephone integration—Allows businesses to simultaneously transfer both the caller from a voice processing application and that caller's data file from a computer directly to a live agent for improved customer service.

 - Text to speech—Callers can actually hear information accessed from a database. Data—such as locations or account status —is automatically translated to synthesized speech.

 - Speech recognition—Allows callers to respond orally to voice prompts, rather than use their touchtone keypad.

 - VoiceChoice℠—Allows companies with large peak inbound voice processing needs to pay only for minutes used rather than buy ports.

 - Facsimile services—Fax Mailbox, which will be sold as a feature of PC Windows-based software, will let users plug in a PC and collect a fax from wherever they are. Fax On Demand will let callers access information as a fax sent directly to them, often for a fee. With Fax Overflow, the network will treat fax messages like voice messages, holding a fax until the user calls in to retrieve it on any fax machine. Custom fax applications such as Fax Broadcast will distribute a single fax to multiple users.

 - Extended messaging—Pacific Bell Voice Mail for businesses eventually will work seamlessly with the residential service (The Message Center) so businesses and their customers who use The Message Center will be able to communicate 24 hours a day.

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- Daily Reporter—This feature of The Message Center will let subscribers have custom news and entertainment reports delivered directly to their voice mailboxes

Pacific Bell also provides data communications network products and network integration services in support of customer demand for enterprise-wide interoperability.

- Products available include:
 - Advanced Digital Network (ADN)
 - High Capacity Digital Service (HCDC)
 - Switched Digital Service 56
 - Public Packet Switching Service (PPS)
 - Switched Digital Service ISDN
 - Centrex ISDN
 - Frame Relay
 - Switched Multimegabit Data Service (SMDS)
 - Advanced Broadcast Video Service (ABVS)
- Value-added services provided by Pacific Bell to enhance its transport products include alliance partnering, technical sales support, and training and education.
- Pacific Bell also provides customized turnkey network solutions for specific data networking applications and network integration consulting for multivendor environments.
- In support of its network integration services, Pacific Bell has alliances with various vendors including Novell, IBM, Kentrox Industries, Cisco Systems, Compression Labs and Network Solutions.
- In March 1994, the company introduced Re:Source Network Solutions, a multimedia quarterly catalog, magazine and purchasing system for computer network managers. The publication, available on CD-ROM, helps customers choose network hardware, software and services. Eventual Re:Source will be available on-line via the public network.

The Pacific Bell Health Care Market Group was created in May 1993 to address the business needs of the health care industry. Its focus is on the integration of advanced voice and data systems to assist in reducing health care administration expenses while enhancing patient services. The group also uses a variety of business applications—including the transmission and storing of radiological images (X-ray, CAT, MRI)—providing timely access to patient information and interactive voice response.

Billing and collection services are provided to both interexchange carriers as well as enhanced service providers through contract and also through an intrastate tariff as approved by the California Public Utilities Commission. Several billing arrangements and options are available to carriers and providers.

From a collection standpoint, Pacific Bell collects a single balance from a customer and send notices and performs treatment activity on the single balance. Carriers and providers may also purchase inquiry services from the company, where Pacific Bell representatives will answer any questions regarding the bill and make any necessary adjustments.

Pacific Bell Directory, publisher of the *Pacific Bell SMART Yellow Pages*, is a wholly owned subsidiary of Pacific Bell. This unit, with more

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than 2,300 employees, publishes more than 100 White and Yellow Page directories and publishes and distributes nearly 35 million directories a year to consumers in California and Nevada.

Nevada Bell:

Nevada Bell provides telecommunication products and services similar to Pacific Bell in regions of Nevada. Nevada Bell, with 1993 revenue of $171 million serves approximately 30% of Nevada with 256,000 access lines.

Because of network modernization efforts implemented during 1990 and 1991, virtually all of Nevada Bell's telephone lines use digital technology. Its statewide network, which encompasses 14 of Nevada's 17 counties, is 99% digitally switched. In the greater Reno area, Nevada Bell's telecommunications network is 100% digitally switched. The company also offers a fiber optic loop around Reno.

Nevada Bell also launched a three-month video monitoring experiment that provides motorists a view of current road conditions before traveling along Interstate 80--the main highway linking Reno to California. Possible applications of the technology include the fields of education and sports.

In 1991, Nevada Bell and the Nevada Telephone Association won a major contract to provide a digital telecommunications system for the state of Nevada.

- Over the next three to five years, the state will continue to phase out its microwave system and begin to use the digital network for all communications in the public sector. Schools, universities, hospitals, and the Nevada Legislature are planning video teleconferencing and high-speed data applications for the new system.
- This advanced integrated telecommunications network infrastructure is already in place in the Reno/Sparks area.

Marketing and Sales

Pacific Telesis markets its products and services through regional, statewide and local business operations and also through a number of indirect marketing channels.

Pacific Bell has established marketing forces in four geographic regions in the state of California to focus on customers whose businesses are primarily regional. In addition, marketing resources have also been created to cater to customers whose operations are statewide such as health care and government organizations. Pacific Bell's local demand business offices are located statewide for access by residential and business customers.

Indirect sales channels are also used and include sales agents, joint marketing partners, authorized distributors and outside telemarketing firms.

Alliances

In March 1994, Pacific Bell, Compression Labs Inc. and Tele-Images Inc. announced plans to build one of the world's largest video-conferencing networks for the State of California. By 1997, as many as 200 state and local agencies will use the network, which will support remote education, training, engineering design, interviews and planning.

In March 1994, Pacific Bell and Intel announced that Pacific Bell's ISDN service to California businesses will be marketed with Intel's ProShare Personal Conferencing

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products through any of the 32 Intel Authorized Network Resellers. The service will enable customers to videoconference on the screens of their PCs.

Andersen Consulting is marketing Pacific Bell's BPP client/server-based billing system to other telecommunications carriers.

As previously discussed, Pacific Telesis also has formed strategic alliances with Hewlett-Packard, Times Mirror and AT&T.

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PBL ASSOCIATES
10 Cottage Avenue
Point Richmond, CA 94801
(415) 234-4338

C. Paul Buist III, President
Private Company
Total Employees: 35
Total Revenue, Fiscal Year End
12/31/90: $4,000,000*

*INPUT estimate

The Company

PBL Associates, founded in 1969, provides accounting application software products and systems software products for Tandem NonStop computers. The company also provides custom software development, consulting, and education and training professional services.

INPUT estimates PBL Associates' 1990 revenue was approximately $4 million, the same as 1989 and 1988 revenue.

Key Products and Services

Approximately 80% of PBL Associates' revenue is derived from application software products and associated support services, 5% from systems software products, and 15% from professional services.

PBL Associates offers accounting and distribution application software products for Tandem NonStop computers. There are currently close to 280 application software product installations worldwide.

- Accounting packages include the following:
 - PBL General Ledger provides on-line processing analysis, control, and reporting of financial transactions.
 - PBL Accounts Payable controls payables, cash disbursements, and check writing.
 - PBL Accounts Receivable provides on-line management of receivables, credit, and cash receipts.
 - PBL Fixed Assets performs on-line property control, tax accounting, and regulatory reporting.
- The following add-on modules for the company's accounting products are also available:

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- Payroll Service Interface
- Bank Reconciliation Module
- Financial Data Converter
- Intercompany Payables Module

- PBL Associates no longer markets but continues to support its distribution and fund accounting application software products.

PBL Associates also provides systems software products that are generally sold to its application software clients. The products run on Tandem NonStop CLX, EXT, TXP, VLX, and Cyclone computer systems and include the following:

- PBL TAPQueue schedules and controls batch job execution.
- PBL TAPMap reads COBOL source code and generates system documentation.
- PBL is currently developing the PBL TAP System for common security, company accounting and control, and batch report control.

Professional services provided by PBL Associates include the following:

- The company provides modification of its application software products, as well as custom software development services.
- The company also provides systems consulting, education and training services, and some facilities management.

Industry Markets

PBL Associates derives its revenue from clients across most industries.

PBL Associates' accounting software is used by companies of any size. Distribution software is generally used by any firm with large distribution operations or distribution companies with over $80 million in annual sales.

The company has clients in the manufacturing, banking and finance, medical, retail and wholesale distribution, transportation, and telecommunications industries, as well as federal and state government.

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Geographic Markets

Approximately 75% to 80% of PBL Associates' 1990 revenue was derived from the U.S. and Canada and the remainder from international sources. Significant sales were made in Australia and Singapore during 1990.

PBL Associates sells its products and services through its direct sales force in the U.S., Canada, the U.K., Australia, and New Zealand.

Other international sales (primarily in South America) are handled by distributors.

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PBL ASSOCIATES
10 Cottage Avenue
Point Richmond, CA 94801
(415) 234-4338

C. Paul Buist III, President
Private Company
Total Employees: 45
Total Revenue, Fiscal Year End
12/31/89: $4,000,000*

*INPUT estimate

The Company

PBL Associates, founded in 1969, provides accounting application software products and systems software products for Tandem NonStop computers. The company also provides custom software development, consulting, and education and training professional services.

INPUT estimates PBL Associates' 1989 revenue was approximately $4 million, the same as 1988 revenue. The company has been profitable nearly every year since its inception.

Key Products and Services

Approximately 80% of PBL Associates' revenue is derived from application software products and associated support services, 5% from systems software products, and 15% from professional services.

PBL Associates offers accounting and distribution application software products for Tandem NonStop computers. There are currently close to 300 application software product installations worldwide.

- Accounting packages include the following:
 - PBL General Ledger provides on-line processing analysis, control, and reporting of financial transactions.
 - PBL Accounts Payable controls payables, cash disbursements, and check writing.
 - PBL Accounts Receivable provides on-line management of receivables, credit, and cash receipts.
 - PBL Fixed Assets performs on-line property control, tax accounting, and regulatory reporting.

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- Distribution application software products include the following:
 - PBL Inventory Management and Accounting System provides finished goods inventory control for single and multiple warehouse companies.
 - PBL Purchasing Management System tracks purchasing costs.
 - PBL Order Entry and Invoicing System provides on-line sales order processing, sales analysis, and billing.
 - PBL Inventory Financial Analysis provides financial analysis of overall inventory as well as inventory of individual items.
 - PBL Sales Analysis builds a sales data base for on-line inquires and furnishes reports on customers and sales.
- PBL Associates no longer markets but continues to support its fund accounting application software products.

PBL Associates also provides systems software products for Tandem NonStop computers running EXT, CLX, VLX, TXP, or Cyclone that are generally sold to its application software clients.

- PBL TAPQueue schedules and controls batch job execution.
- PBL TAPMap reads COBOL source code and generates system documentation.
- PBL Utilities System integrates and secures PBL software, Tandem utilities, and software from other vendors.
- PBL Micro-Tap links Tandem computers with IBM microcomputers.
- PBL is currently developing the PBL TAP System for common security, company accounting and control, and batch report control.

Professional services provided by PBL Associates include the following:

- The company provides modification of its application software products, as well as custom software development services.

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- The company also provides systems consulting, education and training services, and some facilities management.

Industry Markets

PBL Associates derives its revenue from clients across most industries.

PBL Associates' accounting software is used by companies of any size. Distribution software is generally used by any firm with large distribution operations or distribution companies with over $80 million in annual sales.

The company has clients in the manufacturing, banking and finance, medical, retail and wholesale distribution, transportation, and telecommunications industries, and well as federal and state government.

Geographic Markets

Approximately 75% to 80% of PBL Associates' 1989 revenue was derived from the U.S. and Canada and the remainder from international sources. Significant sales were made in Australia during 1989.

PBL Associates sells its products and services through its direct sales force in the U.S., Canada, Australia, and New Zealand.

Other international sales (primarily in South America and the U.K.) are handled by distributors.

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COMPANY PROFILE

PBL ASSOCIATES
10 Cottage Avenue
Point Richmond, CA 94801
(415) 234-4338

C. Paul Buist III, President
Private Company
Total Employees: 45
Total Revenue, Fiscal Year End
12/31/88: $4,000,000*

*INPUT estimate

The Company

PBL Associates, founded in 1969, provides accounting application software products and systems software products for Tandem NonStop II computers. The company also provides custom software development, consulting, and education and training professional services.

INPUT estimates PBL Associates' 1988 revenue reached $4 million. The company has been profitable nearly every year since its inception.

Key Products and Services

Approximately 80% of PBL Associates' revenue is derived from application software products and associated support services, 5% from systems software products, and 15% from professional services.

PBL Associates offers accounting and distribution application software products for Tandem NonStop II computers running EXT, CLX, VLX, or TXP. There are currently approximately 260 application software product installations worldwide.

- Accounting packages include the following:
 - PBL General Ledger provides on-line processing analysis, control, and reporting of financial transactions.
 - PBL Accounts Payable controls payables, cash disbursements, and check writing.
 - PBL Accounts Receivable provides on-line management of receivables, credit, and cash receipts.
 - PBL Fixed Assets performs on-line property control, tax accounting, and regulatory reporting.

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- Distribution application software products include the following:
 - PBL Inventory Management and Accounting System provides finished goods inventory control for single and multiple warehouse companies.
 - PBL Purchasing Management System tracks purchasing costs.
 - PBL Order Entry and Invoicing System provides on-line sales order processing, sales analysis, and billing.
 - PBL Inventory Financial Analysis provides financial analysis of overall inventory as well as inventory of individual items.
 - PBL Sales Analysis builds a sales data base for on-line inquires and furnishes reports on customers and sales.
- PBL Associates no longer markets but continues to support its fund accounting application software products.

PBL Associates also provides systems software products for Tandem NonStop II computers running EXT, CLX, VLX, or TXP that are generally sold to its application software clients.

- PBL TAPQueue schedules and controls batch job execution.
- PBL TAPMap reads COBOL source code and generates system documentation.
- PBL Utilities System integrates and secures PBL software, Tandem utilities, and software from other vendors.
- PBL Micro-Tap links Tandem computers with IBM microcomputers.

Professional services provided by PBL Associates include the following:

- The company provides modification of its application software products, as well as custom software development services.
- The company also provides systems consulting, education and training services, and some facilities management.

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Industry Markets

PBL Associates derives its revenue from clients across most industries.

PBL Associates' accounting software is used by companies of any size. Distribution software is generally used by any firm with large distribution operations or distribution companies with over $80 million in annual sales.

The company has clients in the manufacturing, banking and finance, medical, retail and wholesale distribution, transportation, and telecommunications industries, and well as federal and state government.

Geographic Markets

Approximately 85% of PBL Associates' 1988 revenue was derived from the U.S. and Canada and 15% from international sources.

PBL Associates sells its products and services through its direct sales force in the U.S., Canada, Australia, and New Zealand.

Other international sales (primarily in South America and the U.K.) are handled by distributors.

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COMPANY BRIEF

Cross Industry: Accounting

PBL Associates
10 Cottage Avenue
Point Richmond, CA 94801
(415) 234-4338

CEO: C. Paul Buist III, President
Private Company
Founded: 1969

Employees: 40 (11/86)
Revenue (FYE 12/31/86): $3 million*

The Company: PBL Associates provides application and systems software, as well as professional services, to clients across all industries

Sources of Revenue:
- Application Software (80%)*
- Systems Software (5%)*
- Professional Services (15%)*

Key Products and Services:
- Application Software (Utilizes Tandem NONSTOP I, II, EXT, VLX, TXP)
 - TAP General Ledger provides on-line processing analysis, control, and reporting of financial transactions
 - TAP Accounts Payable controls payables, cash disbursements, and check writing
 - TAP Accounts Receivable provides on-line management of receivables, credit, and cash receipts
 - TAP Fixed Assets performs on-line property control, tax accounting, and regulatory reporting
 - TAP General Ledger for Fund Accounting provides on-line financial control and reporting for governmental agencies
 - TAP Accounts Payable for Fund Accounting manages outgoing cash flow
 - TAPCALC is a spreadsheet that gathers data (even from other computers), places the data in matrices, performs modeling and forecasting, and produces boardroom-quality reports
 - PBL Inventory Management and Accounting System provides finished goods inventory control for single and multiple warehouse companies
 - PBL Purchasing and Receiving System reduces purchasing costs, maximizes purchasing flexibility, and increases vendor performance
 - PBL Air Cargo System provides on-line control of air cargo operations, accounting, and invoicing

*INPUT estimate

November 1986

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- PBL Order Entry and Invoicing System provides on-line sales order processing, sales analysis, and billing
- PBL Calendar schedules people, equipment, and other resources for meetings and other events across the organization

- Systems Software (Utilizes Tandem NONSTOP I, II, EXT, VLS, TXP)
 - PBL TAPQueue schedules and controls batch job execution
 - PBL TAPMap reads COBOL source code and generates system documentation
 - PBL Micro-Tap links Tandem computers and IBM PCs

- Professional Services
 - PBL Associates provides modification of its software products, as well as custom software development, such as the development of a manufacturing system for Hughes Aircraft and a document tracking system for Golden Nugget Inc.
 - In addition, the company provides facilities management, systems consulting, and education and training services

Target Industries:
- Air cargo (3%)*
- All other industries (97%)

Geographic Markets:
- U.S.
- Non-U.S.
- 100% direct sales in the U.S. and Canada.
- Other foreign sales are through distributors

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PDA ENGINEERING
2975 Redhill Avenue
Costa Mesa, CA 92626
(714) 540-8900

Louis A. Delmonico, Chairman, President, & CEO
Public Corporation, NASDAQ
Total Employees: 245
Total Revenue, Fiscal Year End 6/30/91: $36,332,000
Information Services Revenue: $30,012,000

The Company

PDA Engineering was incorporated as Prototype Development Associates in 1972 to provide advanced technology engineering services primarily to the aerospace and defense industries. In 1980, the company name was changed to PDA Engineering. PDA currently conducts its business through two operating segments as follows:

- The Software Products segment provides its PATRAN[R] mechanical computer-aided engineering (MCAE) and M/VISION[TM] materials applications software products and associated support services.
- The Engineering Services segment provides advanced materials engineering services that are not information services-related.

The company's current strategy for its Software Products segment is to:

- Stay in the engineering analysis market niche
- Develop products that represent "bet-of-class" offerings
- Expand the use of engineering analysis in the design-to-manufacturing process by introducing new products
- Expand distribution of the company's products and services

PDA's fiscal 1991 information services (Software Products segment) revenue reached $30.0 million, a 27% increase over $23.7 million for fiscal 1990.

- PDA's total fiscal 1991 revenue reached $36.3 million, a 16% increase over fiscal 1990 revenue of $23.4 million. Net income

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rose 32%, from $2.2 million in fiscal 1990 to $2.9 million in fiscal 1991.

- A five-year financial summary follows:

PDA ENGINEERING
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

	FISCAL YEAR				
ITEM	6/91	6/90	6/89	6/88	6/87
Revenue					
· Software Products	$30,012	$23,694	$19,194	$16,102	$13,162
· Engineering Services	6,320	7,682	8,092	7,305	8,576
Total	$36,332	$31,376	$27,286	$23,407	$21,738
· Percent increase from previous year	16%	15%	17%	8%	25%
Income before taxes	$4,364	$3,388	$2,503	$1,882	$351
· Percent increase (decrease) from previous year	29%	35%	33%	436%	(81%)
Net income	$2,909	$2,162	$1,583	$1,185	$320
· Percent increase (decrease) from previous year	35%	37%	34%	271%	(77%)
Earnings per share	$0.62	$0.50	$0.39	$0.30	$0.80
· Percent increase (decrease) from previous year	24%	28%	30%	275%	(78%)

Software Products segment revenues increased 27% during fiscal 1991, due primarily to the growth of foreign revenues.

- Operating income from this segment was $3.1 million in fiscal 1991, $2.3 million in fiscal 1990, and $2.1 million in fiscal 1989.

Recent acquisitions/alliances include the following:

- In May 1991, PDA acquired less than 20% ownership in Computational Mechanics Company, Inc. (COMCO) of Austin (TX) for $526,000. COMCO develops two- and three-dimensional mathematical models in the field of fluid and solid mechanics. PDA and COMCO have formed a joint venture to develop software using a combination of both firms' proprietary technologies.

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- In March 1990, PDA established a development agreement with LMS International of Leuven (Belgium) to integrate PATRAN analysis software with LMS's integrated testing and analysis software. In July 1991, PDA purchased approximately 11% of LMS' common stock for $1.9 million.

- During fiscal 1991, as part of its planned growth overseas, PDA formed an agreement with German-based manufacturer Jenoptik Carl Zeiss Jena. Zeiss will provide training, support, installation, and consulting for PATRAN software customers in five regions of what was formerly East Germany.

As of September 1, 1991, PDA had 245 employees, segmented as follows:

Software marketing and sales	66
Technical	109
Administration and clerical support	70
	245

MCAE software competitors include MacNeal-Schwendler Corporation (MSC/NASTRAN), Hibbitt Karlsson & Sorenson (ABAQUS), Structural Dynamics Research Corporation (IDEAS and SUPERTAB), and Swanson Analysis (ANSYS).

Key Products and Services

Approximately 83% ($30.0 million) of PDA's fiscal 1991 revenue was derived from information services and 17% ($6.3 million) from engineering services.

- Approximately 96% of PDA's fiscal 1991 information services revenue was derived from annual software product licenses and renewals and 4% from training fees and processing services.

- A three-year summary of source of information services revenue follows:

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**PDA ENGINEERING SOFTWARE PRODUCT SEGMENT
THREE-YEAR SUMMARY OF SOURCE OF REVENUE
($ millions)**

	FISCAL YEAR					
	6/91		6/90		6/89	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
Annual licenses	$28.8	96%	$22.8	96%	$18.4	96%
Training and other	$1.2	4%	$0.9	4%	0.8	4%
TOTAL	**$30.0**	**100%**	**$23.7**	**100%**	**$19.2**	**100%**

PDA Engineering's principal software product is the PATRAN software system, an interactive family of software products used primarily by customer-engineers to develop products (or components) by creating, analyzing, refining, and displaying designs graphically, in three dimensions and in color.

- PATRAN includes PATRAN Plus core software, application modules, and interfaces to other software.
- PATRAN software generates in a computer a complete mathematical model of both the external configuration and the internal composition of a structure. It also enables an engineer to use the model to visualize and analyze the performance of the model under varying conditions and to modify the design to improve performance prior to prototype development.
- PATRAN addresses engineering problems such as stress, thermal, mechanical dynamics and kinematics, fluid flow, finite element analysis, and solid modeling.
- PATRAN runs on hardware from DEC, Hewlett-Packard/Apollo, IBM, Silicon Graphics, and Sun Microsystems. Certain application modules are also available for Cray, Convex, and Control Data computers.
- In December 1990, the company announced system release 2.5 of its PATRAN software, featuring a new automatic mesh capability called SurfMESH as well as new analysis capabilities for P/FEA.

PDA markets/distributes the following PATRAN software products:

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- P/FATIGUE™, released in November 1990, is an analysis package that predicts fatigue and life durability for products in development. The product is the result of a development and license relationship with nCode International (Sheffield, England).

- GFEM+™ integrates with EDS' UNIGRAPHICS and PDA's PATRAN software.

- P/MECHANISM™ is a general-purpose dynamic and kinematic analysis solver, providing users with a simulation tool to predict the behavior of mechanical systems. It incorporates the Dynamic Analysis and Design System (DADS) product as a result of a joint development agreement with Computer-Aided Design, Inc.

- P/COMPOSITE™ is a modeling and analytical software package for general composite structures.

- P/THERMAL™ is a finite element analysis and finite difference thermal analysis system that solves steady-state and transient heat transfer problems.

- P/FEA™ is a finite element analysis product that was introduced in fiscal 1989 as a result of the technology acquired with Numerics Corporation during fiscal 1988.

- P/FLOTRAN™ is a computational fluid dynamics analysis product developed by Compuflo, Inc.

- P/CONCEPT Design-Analysis™ is a solid modeling-analysis module incorporating technology from Parametric Technology Corporation.

M/VISION™, introduced in September 1990, is a materials software system provides for the visualization, selection, and data integration of materials information. The system provides for use of data from materials data bases that may be acquired as part of the M/VISION system, or from a customer's proprietary materials data base, or both. M/VISION sales contributed less than 5% of license revenues during fiscal 1991.

Through the PDA Institute of Technology, PDA provides classroom and video professional education courses for engineers using PDA's PATRAN software.

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Industry Markets

Although the greatest number of users of the PATRAN system are in the aerospace and automotive industries, the system is also used by government agencies, utilities, petroleum producers, and manufacturers of electronic devices, consumer products, industrial equipment, and other products.

PDA also markets its software to major universities at substantially reduced fees.

Geographic Markets

Approximately 59% of PDA's fiscal 1991 software product revenue was derived from the U.S. and 41% from international sources. A three-year geographic source of Software Product segment revenue follows:

PDA ENGINEERING SOFTWARE PRODUCT SEGMENT
THREE-YEAR GEOGRAPHIC SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	6/91		6/90		6/89	
U.S.	$17.8	59%	$14.9	63%	$13.6	71%
International	12.2	41%	8.8	37%	5.6	29%
TOTAL	**$30.0**	**100%**	**$23.7**	**100%**	**$19.2**	**100%**

PDA markets its software through domestic and international direct sales, as well as through international distributors.

- Domestic and regional sales are conducted through regional and local offices in Costa Mesa and San Jose (CA), Atlanta (GA), Bellevue (WA), Burlington (MA), Dallas (TX), Dayton (OH), Huntsville (AL), Philadelphia (PA), Reston (VA), Rolling Meadows (IL), and Troy (MI).
- International direct sales are conducted through subsidiaries located in England, Germany, France, Italy, and the Netherlands.
- During 1991 and in prior years, PDA conducted joint marketing efforts in the Pacific Rim through independent distributors.

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PDA ENGINEERING
2975 Redhill Avenue
Costa Mesa, CA 92626
(714) 540-8900

John E. McDonald, Chairman
Louis A. Delmonico, President & CEO
Public Corporation, NASDAQ
Total Employees: 187
Total Revenue, Fiscal Year End 6/30/89: $27,286,000
Information Services Revenue: $19,194,000

The Company

PDA Engineering was incorporated as Prototype Development Associates, Inc. in 1972 to provide advanced technology engineering services primarily to the aerospace and defense industries. In 1980, the company name was changed to PDA Engineering. PDA currently conducts its business through two operating segments as follows:

- The PATRAN Software Products Division provides its PATRAN[R] mechanical computer-aided engineering (MCAE) application software products and associated support services.
- The Engineering Services segment provides advanced materials engineering services that are not information services-related.

PDA's fiscal 1989 information services (PATRAN Software Products Division) revenue reached $19.2 million, a 19% increase over $16.1 million for fiscal 1988.

- PDA's total fiscal 1989 revenue reached $27.3 million, a 17% increase over fiscal 1988 revenue of $23.4 million. Net income rose 34%, from $1.2 million in fiscal 1988, to $1.6 million in fiscal 1989.
- A five-year financial summary follows:

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PDA ENGINEERING
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

	FISCAL YEAR				
ITEM	6/89	6/88	6/87	6/86	6/85
Revenue					
• Software Products	$19,194	$16,102	$13,162	$9,803	$6,929
• Engineering Services	8,092	7,305	8,576	7,633	7,691
Total	$27,286	$23,407	$21,736	$17,437	$14,620
• Percent increase from previous year	17%	8%	25%	19%	30%
Income before taxes	$2,503	$1,882	$351 (a)	$1,885	$2,373
• Percent increase (decrease) from previous year	33%	436%	(81%)	(21%)	79%
Net income	$1,583	$1,185	$320 (a)	$1,398	$1,435
• Percent increase (decrease) from previous year	34%	271%	(77%)	(3%)	62%
Earnings per share	$0.39	$0.30	$0.80 (a)	$0.36	$0.40
• Percent increase (decrease) from previous year	30%	275%	(78%)	(10%)	48%

(a) Income during fiscal 1987 was offset by non-operating expenses of $1.4 million associated with PDA's lease obligation for former corporate offices.

The PATRAN Software Products Division contributed operating income of approximately $2.8 million, $1.8 million, and $1.2 million for fiscal 1989, 1988, and 1987, respectively. The Engineering Services segment had an operating loss of $157,000 in fiscal 1989, and operating income of $236,000 and $457,000 for fiscal 1988 and 1987, respectively.

During fiscal 1988, PDA acquired Numerics Corporation, a software development company specializing in the development of finite element analysis techniques.

As of September 1, 1989, PDA had 187 employees, segmented as follows:

Software marketing and sales	39
Technical	95
Administration and clerical support	53
	187

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MCAE software competitors include MacNeal-Schwendler Corporation (MSC/NASTRAN), Structural Dynamics Research Corporation (IDEA and SUPERTAB), and Swanson Analysis (ANSYS).

Key Products and Services

Approximately 70% ($19.2 million) of PDA's fiscal 1989 revenue was derived from information services and 30% ($8.1 million) from engineering services.

- Approximately 96% of PDA's fiscal 1989 information services revenue was derived from annual software product licenses, 3% from training fees and processing services, and 1% from funded software development services.
- A three-year summary of source of information services revenue follows:

PDA ENGINEERING SOFTWARE PRODUCT SEGMENT THREE-YEAR SUMMARY OF SOURCE OF REVENUE ($ millions)

	FISCAL YEAR					
	6/89		6/88		6/87	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
Annual licenses	$18.4	96%	$15.1	93%	$11.4	87%
Training and processing	0.7	3%	0.8	4%	1.2	9%
Funded development	0.1	1%	0.2	3%	0.6	4%
TOTAL	**$19.2**	**100%**	**$16.1**	**100%**	**$13.2**	**100%**

PDA develops and markets mechanical engineering software under the PATRAN brand name. The PATRAN system includes PATRAN Plus, the core of the system, and six optional analysis solvers. Together, the software provides pre- and post-processing, solid modeling, finite element analysis, and other specialty analysis capabilities used in the product development process.

- PATRAN is an interactive family of products used primarily by engineers and engineering analysts while designing products and components to predict the performance of these products using mathematical modeling and analysis. These

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mathematical models are created, analyzed, manipulated, and displayed on computers and workstations graphically, in three dimensions, and in color.

- PATRAN generates a mathematical model of both the external configuration and internal composition of a structure. It enables an engineer to use the model to visualize and analyze the performance of the model under varying conditions and to modify the design to improve performance prior to prototype development.

- PATRAN addresses engineering problems such as stress, thermal, mechanical dynamics and kinematics, fluid flow, finite element analysis, and solid modeling.

- Prior to 1988, PDA supported PATRAN on 19 different operating systems and 15 different manufacturer platforms. During fiscal 1988, PDA made a strategic decision to focus its future development work with five major workstation manufacturers: Apollo, DEC, Hewlett-Packard, Silicon Graphics, and Sun. Selected PATRAN products will continue to be available for IBM, Control Data, and Cray computers.

- In October 1989, the company announced system release 2.4 of its PATRAN software, adding significant engineering functionality to PATRAN Plus, P/MECHANISM, P/THERMAL, and P/FEA.

PDA also markets/distributes the following software products:

- P/MECHANISM™ is a general-purpose dynamic and kinematic analysis solver, providing users with a simulation tool to predict the behavior of mechanical systems. It incorporates the Dynamic Analysis and Design System (DADS) product as a result of a joint development agreement with Computer-Aided Design, Inc.

- P/COMPOSITE™ is a modeling and analytical software package for general composite structures. It allows detailed material and structural definitions for two- and three-dimensional composite constructions, linear and nonlinear finite element analysis of composite thermo-structural behavior, and ply-by-ply failure evaluation tools.

- P/THERMAL™ is a finite element analysis and finite difference thermal analysis system that solves steady-state and transient heat transfer problems.

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- P/FEA™ is a finite element analysis product that was introduced in fiscal 1989 as a result of the technology acquired with Numerics Corporation during fiscal 1988.

- P/FLOTRAN™ is a computational fluid dynamics analysis product developed by Compuflo, Inc.

- PDA has incorporated Parametric Technology's conceptual design solid modeling program into a new "analysis for engineering designers" integrated product named P/CONCEPT™.

In November 1988, PDA and McDonnell Douglas Information Systems announced a joint development agreement to produce an integrated CAD/CAM-MCAE product designed around PATRAN and McDonnell Douglas' UNIGRAPHICS software.

Through the PDA Institute of Technology, PDA provides classroom and video professional education courses for engineers using PDA's PATRAN software.

Industry Markets

While the greatest number of users of the PATRAN system are in the aerospace and automotive industries, the system is also used by government agencies, utilities, petroleum producers, and manufacturers of electronic devices, consumer products, industrial equipment, and other products.

PDA also markets its software to major universities at substantially reduced fees.

Agencies of the federal government contributed approximately $1.4 million (7%), $1.3 million (8%), and $949,000 (7%) to PDA's Software Product revenue for fiscal 1989, 1988, and 1987, respectively.

Geographic Markets

Approximately 70% of PDA's Software Product revenue is derived from the U.S. and 30% from international sources.

PDA markets its software through domestic and international direct sales, as well as through international distributors.

- Domestic and regional sales are conducted through offices in Costa Mesa and San Jose (CA), Reston (VA), Troy (MI), Burlington (MA), Miamisburg (OH), Atlanta (GA), and Dallas (TX).

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- International direct sales are conducted through subsidiaries located in England, Germany, France, Italy, and the Netherlands.

- During 1989, PDA established new distributor relationships to sell and support its products in the Far East, including new distributor relationships in Japan, Taiwan, and Hong Kong.

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FINANCIAL UPDATE TO PROFILE DATED MARCH 1986

PDA ENGINEERING
2975 Redhill Avenue
Costa Mesa, CA 92626
(714) 540-8900

John E. McDonald, President and CEO
Public Corporation, OTC
Total Employees: 171
Total Revenue, Fiscal Year End 6/30/87: $21,738,000
Information Services Revenue: $13,161,792

PDA ENGINEERING
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	6/87	6/86	6/85	6/84	6/83
Total revenue	$ 21,738	$ 17,437	$ 14,620	$ 11,232	$ 6,833
Software products revenue	$ 13,162	$ 9,803	$ 6,929	$ 3,946	$ 2,018
. Percent increase from previous year	34%	41%	76%	96%	63%
Engineering products and services revenue	$ 8,576	$ 7,633	$ 7,691	$ 7,286	$ 4,815
. Percent increase (decrease) from previous year	12%	(1%)	6%	51%	28%
Income before taxes	$ 351	$ 1,885	$ 2,373	$ 1,328	$ 735
. Percent increase (decrease) from previous year	(81%) (a)	(21%)	79%	81%	116%
Net income	$ 320	$ 1,398	$ 1,435	$ 885	$ 1,378
. Percent increase (decrease) from previous year	(77%)	(3%)	62%	(36%)	185%
Net earnings per share	$ 0.08	$ 0.36	$ 0.40	$ 0.27	$ 0.43
. Percent increase (decrease) from previous year	(78%)	(10%)	48%	(37%)	187%

(a) Income was offset by non-operating expenses of $1.3 million associated with PDA's lease obligation for its former corporate offices.

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- Software research and development expenditures were approximately 17%, 25%, and 26% of computer services revenue for fiscal years 1987, 1986, and 1985, respectively.

- Revenue for the three months ending September 30, 1987 was $4.9 million, a 1% increase over revenue of $4.8 million for the same period in 1986. Net income for the period decreased 31% from $258,000 to $178,000.

- As of September 1987, PDA employed 171 persons segmented as follows:

Software marketing/sales	35
Software research and development	34
Technical activities	55
Administrative and clerical	47
	171

SOURCE OF REVENUE

- A three-year summary of PDA's source of revenue follows:

	6/87	6/86	6/85
Information Services			
- Software licenses	52%	45%	34%
- Software development	3	5	7
- Training and processing services	5	6	6
Total Information Services	60%	56%	47%
Other Services			
- Engineering services	39%	40%	50%
- Engineering products	1	4	20
	40%	44%	70%
	100%	100%	100%

- Approximately 32% of PATRAN's users are in the aerospace industry.

- For fiscal 1987 one customer accounted for approximately 5% of total software revenues, another contributed approximately 3%, and six U.S. government agencies accounted for approximately 7% of software revenues.

- Approximately 90% of PDA's fiscal 1987 revenue was derived from the U.S. and the remaining 10% was from foreign sources.

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PDA ENGINEERING
1560 Brookhollow Drive
Santa Clara, CA 92705
(714) 556-2800

John E. McDonald, President
Public Corporation, OTC
Total Employees: 126
Total Revenue, Fiscal Year End:
6/30/85: $14,620,438
Computer Services Revenue:
$6,929,189

THE COMPANY

- PDA Engineering was incorporated as Prototype Development Associates, Inc. in 1972 to provide advanced technology engineering services primarily to the aerospace and defense industries. In 1980 the company name was changed to PDA Engineering. PDA currently provides mechanical computer-aided engineering software products and processing and professional services associated with its software. PDA continues to provide advanced mechanical engineering services that are not computer services related.

- In January 1985 PDA made an initial public offering of one million shares of common stock. The company offered 500,000 shares and shareholders offered the remaining 500,000 shares. Net proceeds to the company, estimated to be approximately $3.2 million, will be used for working capital, capital expenditures, repayment of loans, and general corporate purposes, including possible acquisition of engineering or software companies.

- Revenue reached $14.6 million in fiscal 1985, a 30% increase over fiscal 1984 revenue of $11.2 million. Net income increased 62% from $885,308 in fiscal 1984 to $1.4 million in fiscal 1985.

 - Computer services revenue increased 76% from $3.9 million in fiscal 1984 to $6.9 million in fiscal 1985. A four-year financial summary follows:

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PDA ENGINEERING
FOUR-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	6/85	6/84	6/83	6/82
Software products revenue	$6,929	$3,946	$2,018	$1,236
. Percent increase from previous year	76%	96%	63%	146%
Engineering products and services revenue	$7,691	$7,286	$4,815	$3,751
. Percent increase from previous year	6%	51%	28%	6%
Income before taxes	$2,373	$1,328	$ 735	$ 340
. Percent increase (decrease) from previous year	79%	81%	116%	(40%)
Net income	$1,435	$ 885	$1,378	$ 483
. Percent increase (decrease) from previous year	62%	(36%)	185%	25%
Net earnings per share	$ 0.40	$ 0.27	$ 0.43	$ 0.15
. Percent increase (decrease) from previous year	48%	(37%)	187%	(15%)

- Software research and development expenditures were approximately 26%, 15%, and 5% of computer services revenue for fiscal years 1985, 1984, and 1983, respectively.

- Revenue for the six months ended December 31, 1985 was $4.4 million, a 15% increase over revenue of $3.8 million for the same period in 1984. Net income increased 60% from $290,000 to $464,000 in the same period.

 - Software products revenue increased from approximately $1.4 million to $2.6 million for the period.

- Software-related acquisitions include:

 - In December 1984 PDA acquired Schaeffer Analysis, Inc. which specializes in mechanical computer-aided engineering training.

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- In September 1985, The Rock, Inc. (TRI) was merged into PDA. TRI's principal asset is a software analysis program currently under development.

- PDA is organized into two divisions and two subsidiaries.
 - Software Products Division offers mechanical computer-aided and engineering software, training services, custom software development, and processing services.
 - Engineering Services and Products Division offers analytical services, test methods and services, and system testing services using proprietary software running on computer systems. PDA also provides limited manufacturing of advanced technology products including airborne stores (externally maintained aircraft equipment) and thermal insulation for oil drilling equipment.
 - In July 1985 PDA Engineering International was established in England as a wholly owned subsidiary to engage in direct software marketing outside the U.S.
 - In February 1986 a second international subsidiary was opened in Munich, West Germany. Full technical support is also available.

- As of September 1985, PDA had 126 employees segmented as follows:

Software marketing	11
Software research and development	24
Technical activities	50
Administrative and clerical	41
	126

 - Currently, PDA has 150 employees worldwide.

- Competitors of PDA's software products include General Electric/CAE International, Swanson Analysis, and IBM. PDA also competes with turnkey vendors including General Electric/Calma, Gerber Systems Technology (Gerber Scientific, Inc.), Intergraph Corporation, and McDonnell Douglas Architectural, Engineering, and Construction Information Systems Company.

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KEY PRODUCTS AND SERVICES

- A three-year summary of PDA's source of revenue follows:

	6/85	6/84	6/83
Computer Services			
Software Licenses	34%	22%	17%
Software Development	7	7	5
Training	5	3	3
Processing Services	1	3	5
Total Computer Services	47%	35%	30%
Noncomputer Services			
Engineering Services	48%	56%	50%
Engineering Products	5	9	20
Total Noncomputer Services	53%	65%	70%
	100%	100%	100%

- PDA designs, develops, and markets software products used in mechanical computer-aided engineering applications.

 - PATRAN, PDA's principal software product, was commercially introduced during fiscal 1980. PATRAN is an interactive software system used primarily by engineers to design products. PATRAN allows a mechanical engineer to generate, view, and manipulate finite element models of products and evaluate their predicted performances in order to optimize product designs. With PATRAN an engineer can construct a solid geometric model consisting of a complete 3-D description of every point contained in the solid, including its internal composition and surface configuration.

 . PATRAN operates on mainframe and minicomputers manufactured by Apollo Computer, Inc., Control Data Corporation, Cray Research, Inc., Data General Corporation, Digital Equipment Corporation, Harris Corporation, Hewlett-Packard Company, IBM Corporation (mainframe only), and Prime Computer, Inc.

 - PATRAN may also be operated on more than 50 interactive graphics terminals and workstations. Some of the manufacturers include Adage, Inc., Evans Sutherland Computer Corporation, Lexidata Corporation, Megatek Corporation, Ramtek Corporation, Raster Technologies, Inc., Silicon Graphics, Inc., and Teletronix, Inc.

 . Software is licensed on a renewable annual basis. The annual PATRAN license fee ranges from $8,000 for use on an Apollo computer or a single user DEC VAX system to $30,000 for an

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unlimited use license on a Cray Research supercomputer. The average license fee is approximately $14,000 annually.

. As of June 30, 1985, PDA had 376 commercial licenses of PATRAN software. A five-year history of software licenses and renewals follows:

	6/85	6/84	6/83	6/82	6/81
Licenses renewed	173	90	40	18	2
License additions	203	92	52	25	19
	376	182	92	43	21

- PDA also had 55 university license agreements as of June 30, 1985. Licenses with universities are offered without charge or for a nominal fee.

- Since 1981, 15 licenses have not been renewed. Seven license terminations occurred during fiscal 1985.

- PDA offers separately priced modules for use with PATRAN. Additional modules are currently under development.

. The Composite Materials Analysis module, called PATCHES, is currently available for DEC VAX computers. The license fee for PATCHES is equal to the license fee for PATRAN.

. The Linear Statics & Dynamics module is currently available on the following computers: DEC VAX, Prime, Data General, Harris, Hewlett-Packard, and Apollo. The license fee is 50% of the PATRAN license fee.

. The XY Plotting module is based on ISSCO's PLOT software integrated with PDA proprietary software. XY Plotting is currently available on DEC VAX, Prime, Hewlett-Packard, Apollo, and IBM (mainframe) computers. The license fee is 50% of the PATRAN fee.

. The Animation module is currently available for the DEC VAX and HP 9000 computers. The license fee is 50% of the PATRAN license fee.

. The Engineering Tomography module is currently available, and the Thermal Analysis Module will be introduced during the second calendar quarter of 1986. Both modules operate on the following computers and workstations: DEC VAX, Prime, Data General, Harris, Control Data, Hewlett-Packard, Apollo, IBM, Solarity, and Silicon Graphics. The modules are each licensed at 50% of the PATRAN license fee.

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- Software development revenue includes revenue from software licensees for enhancements made to proprietary software and compensation from hardware manufacturers for the adaption of PDA's software to operate on the manufacturer's equipment.

 - Consideration for software adaptation to operate on a manufacturer's equipment is usually in the form of hardware provided by the manufacturer, title of equipment given to PDA, or an agreement to sell a specified number of software licenses using the manufacturer's hardware in exchange for title to equipment.

- Upon execution of a license agreement, a customer also pays a $1,500 initialization fee which is used to fund training on the PATRAN system and the cost of user manuals. Two customer representatives are entitled to attend a three day PATRAN training session.

 - For an additional charge, customers may attend monthly training sessions on subjects that range from basic PATRAN use to advanced analytical techniques.

- Processing revenues are derived by allowing prospective customers to operate PATRAN on PDA's equipment located at its Santa Ana headquarters.

INDUSTRY MARKETS

- Approximately 34% of PATRAN software customers are in the aerospace industry. The remaining 66% of the customers are in the following industries: government, utilities, petroleum production, and discrete manufacturing (including automobiles, electronic devices, aircraft, industrial equipment, and marine structures).

GEOGRAPHIC MARKETS

- Approximately 96% of fiscal 1985 revenue was derived from the U.S. The remaining 4% was derived from the United Kingdom, Western Europe, Japan, and other foreign countries.

 - PDA maintains three regional sales offices in Madison (CT), Southfield (MI), and Reston (VA).

 - Two wholly owned subsidiaries provide marketing and technical support internationally. The two PDA Engineering International subsidiaries are located in Basingstoke, England and Munich, West Germany.

 . Software is also licensed through distributors in the Netherlands, Japan, Italy, and Australia.

 - PDA also has cooperative marketing agreements with virtually all the manufacturers of computers and interactive graphics terminals and workstations on which PATRAN operates. Several agreements with

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these manufacturers provide for commissions from PDA for PATRAN licenses sold.

- Other third-party sellers include software vendors, turnkey system suppliers, and service bureaus.

COMPUTER HARDWARE

- All of the computer systems and graphics terminals and workstations that PDA's software operates on (except two large computer systems, the Cray and CDC Cyber) are installed at PDA's headquarters.

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Fax: (402) 496-8670

Raul Pupo, President
Subisidary of Peter Kiewit Sons'
Total Employees: 100

The Company

PKS Information Services, Inc. (PKS) provides systems operations processing and professional services to various operating units of its parent and other commercial clients.

- PKS' parent, Peter Kiewit Sons' is a $5 billion holding company headquartered in Omaha (NE) with operations in construction, mining, and timber. Peter Kiewit has designed data centers for First Data Resources and U.S. West.
- PKS was formed in late 1988 to consolidate the data center operations of Peter Kiewit's Continental Can business. PKS President, Raul Pupo, was formerly with Genix.
- PKS has also been marketing its services to other clients for about one year. The company currently has about five to eight outside clients.

The company's strategy is to provide quality services by developing a partnership with its customers, sharing in the responsibility of satisfying their business objectives.

Competitors include Electronic Data Systems, Perot Systems, and Litton Computer Services.

Key Products and Services

PKS specializes in the systems operations segment of the outsourcing market, providing processing and associated support services to clients under long-term contracts.

The company believes its pricing is very competitive compared to the bigger systems operations vendors.

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PKS' services include the following:

- *Computer Operations Management:* Includes all services necessary to plan, schedule, operate, and control the information processing environment according to customers' time-driven and/or event-driven business activities. These services include job scheduling/processing, output handling and distribution, equipment acquisition and maintenance, and change notification to alert users of any changes to their information processing environment.

- *Data Security, Backup, and Recovery:* These services are a standard part of PKS' systems operations services to protect the customer's information against unlawful, unauthorized, or improper modification, destruction, or disclosure. PKS also ensures that the customer's data is backed up according to its business requirements.

- *Technical Services:* Includes the systems software programming functions necessary to support and maintain the customer's operating system environment. Specific services include the installation and/or maintenance of the operating system and related systems software products to be compliant with new software releases and changes in the customer's business operations. Capacity planning and performance measurement analyses to tune the processing environment and meet the service-level expectations of the customer are provided.

- *Help Desk Services:* Includes telephone support 24 hours a day, 365 days a year by senior systems technicians.

- *Telecommunications Services:* PKS provides network engineering, provisioning, and management of the dedicated data communications circuits and other related hardware.

 - Customers may also receive electronic mail and voice mail services on an as-needed basis.

 - Two long-distance gateways, located separately in Omaha, provide 100% redundancy.

 - PKS also offers voice telecommunications at significant savings. Distribution of service billing and cost information, ongoing management of service levels, and recommendations to improve price/performance are also provided.

- *Professional Services:* PKS staff is responsible for ensuring successful migration of customers' computer operations to PKS'

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Omaha facility. Staff is also available to provide certain applications software development and support services, including software conversions, ongoing adaptive and corrective maintenance of existing application systems, and systems integration.

Industry Markets

The target market for PKS' services is corporations that use IBM and DEC systems.

Geographic Markets

One hundred percent of PKS' revenue is derived from the U.S.

Although the company's only office is in Omaha, its services are marketed nationwide.

Computer Hardware

PKS' data center in Omaha has IBM-compatible mainframes and DEC computers installed.

The center was designed to ensure non-stop operations for its customers and take advantage of scale economies in hardware, software, and overhead.

Customer networks are configured to facilitate both low-cost incremental growth and maximum uptime. In managing the network, both low- and high-speed data rates are monitored to detect potential service-level problems.

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PRC INC.
1500 Planning Research Drive
McLean, VA 22102
(703) 556-1000

Gary D. Kennedy, President and CEO
Subsidiary of The Black & Decker Corporation
Total Employees: 7,200
Total Revenue, Fiscal Year End 12/31/91: $685,220,000

The Company

PRC Inc. was created in January 1991 with the merger of Planning Research Corporation and Advanced Technology, Inc.--two professional services/systems integration firms acquired by Black & Decker in early 1989 with the acquisition of Emhart Corporation.

- Black & Decker, based in Towson (MD), is a $4.6 billion manufacturing firm specializing in power tools, household appliances, and plumbing products.
- In March 1992, Black & Decker announced it had filed a registration statement with the SEC for a public offering of all the shares of PRC common stock. Estimated net proceeds of the PRC offering are anticipated to range from $331 million to $363 million (including repayment of certain intercompany indebtedness by PRC) and will be used by Black & Decker to reduce debt.

PRC management believes the company's competitive strength is based on five core competencies:

- *Imaging:* Electronically scanning, storing, displaying, and managing massive amounts of paper documents
- *Open systems integration:* Designing and building computer systems that adapt to evolving technology
- *Telecommunications:* Connecting information and telecommunications systems in large and small networks
- *Technology transfer:* Developing methods and practices to transfer PRC's understanding of technology to other organizations.

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- *Software engineering:* Improving the development and maintenance of computer programs using management, engineering, scientific, and mathematical techniques.

PRC's current offerings include a range of professional services, systems integration, systems operations, processing, network services, applications software products, and turnkey systems to government and commercial clients worldwide.

PRC's 1991 revenues reached $685.2 million, a 4% increase over 1990 proforma combined revenues from Planning Research and Advanced Technology of $658 million.

PRC's current organization structure is summarized in the exhibit and includes the following major groups:

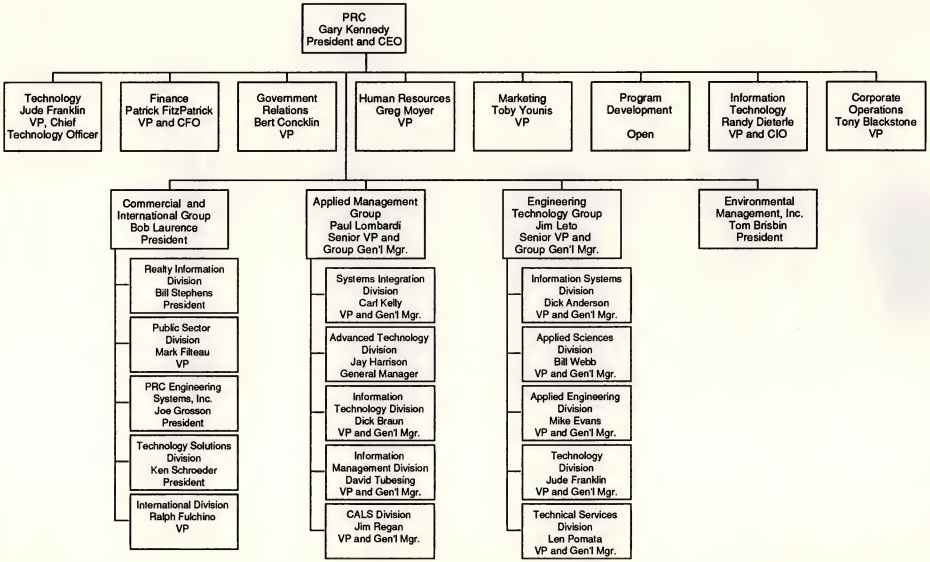
- PRC Applied Management Group, headquartered in Reston (VA) with 2,204 employees, is oriented toward designing and integrating systems for the U.S. government. The group performs the majority of PRC's Navy work in the areas of research, engineering, acquisition, and life-cycle support. The group also designs, develops, and integrates large-scale information systems for defense and civil agencies. This unit contributed approximately 36% to 1991 revenue.

- PRC Engineering Technology Group, headquartered in McLean (VA) with 2,813 employees, supports every branch of the military and NASA, primarily in aerospace; command, control, and intelligence; training; and test evaluation programs. This unit contributed approximately 33% to PRC's 1991 revenue.

- PRC Commercial & International Group (formerly the Commercial Systems Group), headquartered in McLean (VA) with 1,337 employees, provides document management and conversion, multimedia data base publishing, and systems operations services; nationwide computer-based multiple listing services (MLS) for real estate brokers; computer-aided dispatch systems for state and local government; and integrated information and engineering services to the utility industry. This unit contributed approximately 22% to PRC's 1991 revenue.

- PRC Environmental Management, Inc., based in Chicago (IL) with 572 employees, provides environmental engineering consulting services primarily to federal government agencies. This unit contributed about 9% to PRC's 1991 revenue.

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Acquisitions/divestitures made by PRC include the following:

- In July 1991, PRC acquired FSA, Inc., a Naperville (IL)-based provider of document conversion services. The acquisition enhances PRC's expertise in designing and implementing large-scale document imaging systems.
 - FSA specializes in scanning and converting paper- and film-based engineering drawings, technical data, and office documents into compressed raster images for document imaging systems or into vector data for use with computer-aided design systems.
 - FSA provides services to over 200 customers, including large aerospace, petrochemical, retail, and utility companies.
 - FSA now operates as PRC Document Conversion Services within the Technology Solutions Division of PRC's Commercial & International Group.
- In late 1990, PRC sold its Medic Computer Systems business unit to Medic management. Medic provided turnkey systems for medical group practices.

As of December 1991, PRC had 7,200 employees worldwide. The company currently has 7,200 employees, including 7,050 in the U.S. and 150 at international locations.

PRC competitors include Computer Sciences Corporation, Electronic Data Systems, Science Applications International Corporation (SAIC), and various other vendors in different markets.

Key Products and Services

INPUT estimates PRC's 1991 revenue was derived approximately as follows:

Systems integration	37%
Professional services	32%
Processing services	9%
Systems operations	8%
Network services	3%
Applications software	2%
Engineering (environmental, noncomputer-related engineering)	9%
	100%

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PRC's products and services are summarized by operating group as follows:

PRC Applied Management Group:

The Systems Integration Division provides program life-cycle system integration services to develop, implement, and support document and drawing management, telecommunications, and integrated information systems. Most projects relate to information resource management.

- PRC is designing, developing, and implementing the Automated Patent System, the world's largest automated document management system, for the U.S. Patent and Trademark Office. The system contains thirty-trillion bytes of information and is valued at over $450 million.

The Advanced Technology Division provides a range of systems engineering, logistics, acquisition management, and financial management support to the U.S. Navy and hardware manufacturers.

- In addition to providing engineering, technical analysis and management systems planning, the division develops and maintains automated systems in the areas of financial management, systems configuration management, ship construction, and testing and logistics.

- Under a $30 million contract for the Navy's AEGIS ship program acquisition management support project, PRC is providing ship systems engineering and configuration management, ship construction monitoring and analysis, and ship delivery planning and testing.

- Under a $20 million contract (NAVSEA PMS 400E), PRC handles the AEGIS program financial management support, including financial planning and budget execution, maintenance of large financial data bases, and analysis of the financial performance of ship construction and hardware manufacturers.

The CALS Division provides engineering and financial analysis and logistic support services to the DoD and other federal agencies. The division also provides prototype CALS (computer-aided logistics systems) to U.S. Navy organizations.

- PRC is providing systems integration, development, and support services for the Navy's optical-disk-based, imaging Engineering Data Management Information and Control System (EDMICS).

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- Under a five-year, $27 million contract PRC is providing logistic support services to the Navy's AEGIS cruiser and destroyer acquisition program.

- Under a five-year, $12 million contract, PRC is responsible for engineering services to support the design of land-based, full-scale test sites for the Navy.

The Information Management Division, with 625 employees, provides processing and telecommunications services, systems planning, and requirements analysis for a variety of government agencies.

- Services include support for information areas, development of new information systems, management of computer facilities, and the operation and maintenance of hardware/software systems.

- PRC provides processing and telecommunications facilities management services and support to NASA headquarters.

The Information Technology Division provides systems and systems-related professional services in the areas of large, complex systems and data base development, full life-cycle systems support, systems engineering, and technical assistance, personnel planning, industrial engineering, and training.

- Under a $60 million, five-year, task-order contract, PRC provides full life-cycle systems development support to the Army's Total Army Personnel Data Base, which was also developed and installed by PRC.

- Under a task-order contract with the Federal Quality Institute, PRC is providing Total Quality Management training and consulting services, and implementation support and improvement projects.

PRC Engineering Technology Group:

The Information Systems Division builds computer-based systems and provides services to support intelligence and weather system applications for federal government departments. The division provides concept studies, requirements and threat analyses, and advanced technology in the design and development, integration, installation, and testing of computer-based systems.

- PRC is designing and implementing, with government personnel, a new intelligence data handling system for intelligence analysis

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at HQ U.S. European Command in Stuttgart (Germany). PRC is the overall system integrator on this contract.

- PRC designs and implements standard digital data bases and software to support DoD training simulators, and applies these standards to million rehearsal activities.

The Applied Science Division supports space and military command and control programs. Services include systems engineering and technical assistance support, with particular emphasis on software services at the developmental and integration phases.

- For the Navy Space and Warfare System Command and Naval Ocean Surveillance Center, PRC is providing system engineering, program management, software engineering, test and evaluation, and management information support.

- PRC is providing safety, reliability, maintainability, and quality assurance for NASA's Marshall Space Flight Center.

The Applied Engineering Division provides engineering, management, and technical services for combat systems, strategic systems, and image systems. Customers are primarily in the DoD for combat and strategic systems, and in the DoD, federal, and commercial organizations for image systems.

- Warfare systems support includes analysis, design, system development and integration, facilities engineering and life cycle support. Image systems include portable systems, electronic publishing, and digital conferencing.

- Under a $30 million, multi-year contract, PRC is providing engineering support at the battle force, combat system, and weapon element level for the Navy's Naval Ship Weapon Systems Engineering Station.

- Under several multi-million dollar contracts, PRC supports DARPA's submarine technology program.

The Technical Services Division provides test, evaluation and systems engineering; aerospace scientific engineering and technical services; and operations, maintenance,and engineering services to the DoD, NASA, and other federal clients.

- Under a $37 million, five-year contract with the U.S. Air Force Headquarters Space Command, PRC is supporting the USAF Ground Based Electro-Optical Deep Space Surveillance System.

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- Under a $39 million, five-year contract PRC is supporting the Army Test Experimentation Command (TEXCOM) at Fort Hood (TX). PRC is responsible for program management and administration, test support, design engineering services, and tactical simulator support.

The Technology Division performs independent and contract research and development and provides technical capabilities to help PRC bid, win, and execute new jobs, and to sustain its current ones. Its major components include systems engineering, software engineering, and research and development.

Other projects include the following:

- A $25 million (potential value) contract with the federal government's Office of Personnel Management to provide a range of training services to federal employees
- A $20 million contract (potential value) to operate and maintain the Geostationary Environmental Satellite Data Distribution System for the National Oceanic and Atmospheric Administration
- A $13 million contract with the U.S. Naval Sea Systems Command to continue developing software, work standards, and journeyman testing for the Navy's intermediate repair management system
- A $6 million contract by the Office of Technical Assistance to provide data communications support and requirements analysis and acquisition support to federal agencies using the Federal Systems Integration and Management Center
- A $2.5 million contract by the U.S. Department of Transportation to design, develop, and test a prototype Global Transportation Network/Intransit Visibility system for the United States Transportation Command
- A $65 million contract with the U.S. Senate to replace its local- and wide-area data communications networks
- Three Navy contracts totalling $7.2 million to provide engineering and logistic support services to the Naval Aviation Depots at Cherry Point (NC) and Pensacola (FL)
- A $10.9 million contract with the Naval Surface Warfare Center to provide engineering and technical support for the Navy's Combat Systems Laboratory and Aegis facilities

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- A four-year, $76 million contract from the General Services Administration Office of Technical Assistance to provide computer-science support for information resources management to federal agencies with GSA's Capital Zone.

PRC Commercial & International Group:

The Technology Solutions Division provides document management systems, multimedia data base publishing services (print, CD ROM, etc.), document conversion services, and computing services (both remote and at customers sites) to commercial clients.

- Reporting to the division are the operations of the former Integrated Systems and Systems Management Divisions.

- PRC has teamed with International Computers Ltd. to design, install, and operate imaging systems throughout the European economic community.

The Realty Information Division consists of the multiple listing service (MLS) operations of PRC Realty Systems, Inc. plus a new initiative into the broader market of realty information for Boards of Realtors, lenders, lawyers, insurers, advertisers, and other members of the real estate industry.

- PRC Realty Systems provides network services, processing services, turnkey systems, and data base publishing services to the real estate industry. PRC supports Realtors in 34,000 offices nationwide.

 - Stellar II is an on-line real estate MLS system that allows real estate professionals to enter and retrieve detailed property listing information through a single terminal. Stellar operates on HP 9000 series computers.

 - Other products include PowerSystem®, a distributed data base; StellarVision, which uses imaging technology to distribute and display photos of houses; BookWorks™, a standalone PC-based in-house MLS book publishing system; and other on-line MLS systems and published products.

The Public Sector Division provides a range of software products and turnkey systems to non-federal public sector governments, including public safety systems, electronic benefits transfer, electronic services delivery (vehicle registration renewal), toll collection systems, and law enforcement management systems.

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- Computer-aided dispatching systems provide agencies with automated assistance and mapping facilities in dispatching emergency vehicles for police, fire, and medical services.

- Records management systems support the information and storage and retrieval needs of police and fire departments, jails, and courts.

- Mobile data terminal and laptop systems allow agencies to integrate their computer and radio communications systems into a single data network that extends to mobile units to support officers in the field.

- PRC has designed, developed, and installed over 150 information and communications systems for state and local governments.

- Under a $25 million project, PRC is developing a command center and dispatching system for the Los Angeles County Fire Department.

- PRC is also developing and implementing a state-wide collection system network for the Maryland Transportation Authority.

- Other contracts include:

 - Twelve contracts worth a combined value of $13 million to provide a range of DEC-based public safety and criminal justice systems to county and municipal governments throughout the U.S. and Canada

 - A $8 million contract to provide an emergency dispatching system to Montreal (Canada)

 - A $1 million contract with the National Law Enforcement Telecommunications System of Phoenix (AZ) to upgrade its nationwide law enforcement message switching system

 - A $4 million contract to develop and install a toll road management system for Denver's Public Highway Authority

PRC Engineering Systems, Inc. supports the utility industry in information systems, digital imaging systems, systems engineering, training and maintenance programs development, and implementation.

- Over two-thirds of all nuclear utilities in the U.S. have contracted with PRC for systems integration and systems engineering services.

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- Under a three-year, $30 million subcontract to EBASCO Services, Inc., PRC is supporting the startup of the Tennessee Valley Authority's Watts Barr Nuclear Plant in Sprint City (TN).

The International Division is responsible for marketing PRC's services into targeted international markets. Internationally, major announcements include the following:

- In September 1991, PRC established a subsidiary in Australia (PRC International Pty. Ltd.), headquartered in Sydney.
 - PRC also formed an agreement with DEC Australia that paves the way for PRC and DEC to co-market in Australia PRC's applications solutions, such as document imaging, defense, computer-aided dispatch, toll collection, and automated phone response systems with DEC hardware.
- Also during 1991, PRC and DEC announced in Hong Kong DEC's first Asia-focused systems integration alliance with PRC.
- Earlier in 1991, PRC signed a collaboration agreement with Great Britain's International Computers Limited (ICL) to develop and market image management systems throughout the U.K., Europe, and the U.S.

Industry Markets

Approximately 77% of PRC's revenue is derived from the U.S. federal government. The remainder of revenue is derived from commercial and international clients.

PRC management is working to build its commercial and international business.

Geographic Markets

Over 95% of PRC's 1991 revenue was derived from the U.S. and less than 5% from international sources.

PRC operates over 250 offices worldwide.

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PACIFIC WESTERN INFORMATION SYSTEMS
1245 South Winchester Boulevard
Suite 303
San Jose, CA 95128
(408) 246-4762

Gene Blakeslee, Acting President
Subsidiary of Pacific Western Bancshares
Total Employees: 24
Total Revenue, Fiscal Year End
12/31/88: $3,200,000

The Company

Pacific Western Information Systems, founded in 1980, develops, markets, and supports application software products and turnkey systems for state and local governments. Pacific Western Information Systems is a value-added reseller for Prime, Unisys, and IBM RT and PS/2 model 80 computers.

Pacific Western Information Systems' 1988 revenue reached $3.2 million, a 7% increase over 1987 revenue of $3 million. A five-year revenue summary follows:

PACIFIC WESTERN INFORMATION SYSTEMS
FIVE-YEAR REVENUE SUMMARY
($ millions)

	FISCAL YEAR				
ITEM	1988	1987	1986	1985	1984
Revenue	$3.2	$3.0	$2.8	$2.7	$1.5
• Percent Increase from previous year	7%	7%	4%	80%	N/A

The company projects that 1989 revenue will be $3.5 million.

Key Products and Services

Approximately 75% of Pacific Western Information Systems' 1988 revenue was derived from application software products (40%) and associated maintenance services (35%). The remaining 25% of revenue was derived from computer system sales.

Pacific Western Information Systems currently offers two application software packages to state and local government. The products are available for Prime 50 Series and EXL systems;

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Unisys 5000, 6000, and 7000 systems; HP 8000 and 9000 systems; IBM RTs and PS/2 70s and 80s; and AT&T 3B Series microcomputers

- CompuTrust™ is an integrated trust accounting and case management system designed for public guardians, conservators, trustees, and estate administrators. There are currently 40 CompuTrust installations.
- CME™ is an information and case management system for coroners and medical examiners. There are currently six installations of CME.

Industry Markets

One hundred percent of Pacific Western Information Systems' revenue is derived from state/county/local government.

Geographic Markets

Approximately 95% of 1988 revenue was derived from the U.S. and 5% from Canada.

CompuTrust is installed in counties in California, Arizona, New York, New Jersey, Wisconsin, Nevada, Illinois, and Alberta (Canada).

Offices are located in San Jose and Los Angeles.

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COMPANY BRIEF

Primary Industry-Specific Market: State and Local Government

Pacific Western Information Systems
1245 South Winchester Boulevard
Suite 303
San Jose, CA 95128
(408) 246-4762

CEO: Gwen Spertell, President
Subsidiary of: Pacific Western Bancshares
Founded: 1980

Employees: 40
Revenue (FYE 12/31/85): $2.7 million, (FYE 12/31/84): $1.5 million

The Company: Develops and markets application software products for state and local governments, schools, college bookstores, and mortgage brokerage firms.

Sources of Revenue:
- Application Software (100%)

Key Products:
- Application Software (Utilizes Prime minicomputers and AT&T microcomputers)
 - Trust accounting system (COMPUTRUST)
 - Secondary school recordkeeping
 - Bookstore management
 - Mortgage tracking software

Target Industries:
- County governments
- Secondary schools
- College bookstores
- Mortgage brokerage firms

Geographic Markets:
- U.S. and Canada (100%)
- Sales Office: San Jose (CA)

Other:
- PWIS has installed COMPUTRUST in 26 counties in California, Arizona, and Alberta, Canada
- The company plans to increase revenues to $15 million by 1991

October 1986

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COMPANY PROFILE

PACKAGED AUTOMATED LIFE/ LIABILITY MANAGEMENT INCORPORATED
2606 Fortune Circle, East Drive
Indianapolis, IN 46241
(317) 241-2510

Chris C. McEvoy, President
Private Corporation
Total Employees: 180
Total Revenue, Fiscal Year End 3/31/85: $12.6 Million

THE COMPANY

- Packaged Automated Life/Liability Management Incorporated (PALLM) provides processing services, applications software products, and professional services to life/health and property/casualty insurance companies.

 - The company was formed in 1969 and incorporated in 1971 as Lycor, Inc. In 1982 the company changed its name to PALLM.

- Fiscal 1985 revenue reached $12.6 million, a 26% increase over estimated fiscal 1984 revenue of $10 million. The company estimates fiscal 1986 revenue will reach $17 million.

- PALLM has two operating divisions and one wholly owned subsidiary.

 - The PALLM-Life division provides applications software products and professional services to life/health insurance companies.

 - The PALLM-Property/Casualty division provides applications software products and professional services to property/casualty insurance companies.

 - PALLM Canada Limited, a subsidiary with headquarters in Toronto, markets PALLM's application software products in Canada.

- As of March 31, 1985, PALLM had approximately 180 employees. The company currently has approximately 220 employees.

- PALLM's major competitors in the life/health insurance applications software market include The Continuum Company and Cybertek. PALLM's primary competitor in the property/casualty insurance applications software market is Policy Management Systems.

KEY PRODUCTS AND SERVICES

- Approximately one-half of PALLM's fiscal 1985 revenue was derived from applications software products (and associated maintenance services) and one-half was derived from professional services.

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- PALLM provides applications software products for home office management to the life/health and property/casualty insurance industry. The products are written in COBOL and include the following:

 - PALLM-VECTOR® , introduced in 1984, is a home office management system designed for life/health insurance companies. The product, a greatly enhanced version of the company's PALLM-Life product, is targeted to all but very small-sized companies.

 - PALLM-VECTOR provides processing of non-traditional as well as traditional life insurance products including single fund Universal Life I, Variable Universal Life II, Flexible Premium Annuities, Single Premium Deferred Annuities, Variable Annuities, Current Value or Irreplaceable Life, Excess Interest Whole Life, Excess Earning Whole Life, and Variable Life.

 - The system provides administrative support for all contracts and periodic activity; real-time processing of new business applications from original data through final disposition; management of multiple funds with any combination of interest or equity investments; commission calculations; policyholder annual statement preparation; and supports LIFO, FIFO, and aggregate accounting methods.

 - PALLM-VECTOR runs on IBM 43XX or larger and plug-compatible mainframes under DOS or MVS and Data General MV Series of computers under AOS.

 - PALLM-VECTOR modules, available independently on a stand-alone basis or as an integrated system, include the following:

 - New Business/Policy Issue uses a series of reference files to build a computerized Policy Master Record from the policyholder's application, manages underwriting and issue requirements, and produces issue documents.

 - Policyholder Service administers changes and provides information via on-line inquiry or printed policy status.

 - Premium Billing supports direct bill, pre-authorized check, premium deposit fund, odd-mode premium collections, educational, and franchise/group billing methods.

 - Premium Processing uses information in the Policy Master Record automatically generated by New Business/Policy Issue.

 - Accounting and General Ledger.

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- Marketing and Agency/Commissions calculates and documents agent commissions using the Agent Master File which is maintained by the agency staff through terminals.

- Marketing and Agency/Performance provides several measures of agent performance. On-line inquiry into the Agent Master File shows year-to-date and last statement-to-date performance results.

- Agent Licensing maintains licensing information on individual agents, as well as renewal fees and expenses which vary by state and type of license.

- Universal Life I provides administration for new insurance products that combine higher interest flexible annuities with insurance coverage.

- Variable Universal Life II administers all life products, any number and type of interest-bearing funds, equity investments, and unit-based investments (real estate trusts, mutual funds, etc.) under one contract.

- Client Management provides full client management capabilities.

- Actuarial Reporting includes Policy Exhibit and Valuation Premium, and Reserve Calculation Reporting.

- Annuity Administration provides complete administrative support for single, flexible, or variable premium annuities, including fixed, interest-sensitive, and variable.

- Teleprocessing Executive provides preformatted screens for on-line data entry, interactive file update, and file inquiry.

- Automated Documentation.

- Alpha Inquiry for name searches.

- Letter Writing maintains the text of any number of letters.

- There are currently over 90 Life clients using PALLM-VECTOR or its predecessor product.

- PallmPAC®, formerly PALLM-Liability, is a home office management system that integrates rate, policy, claims, and reinsurance and, while

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targeted to medium and larger property and casualty insurance companies, has been successfully installed in small companies.

- The system runs on IBM 43XX or larger and plug-compatible mainframes under DOS or MVS and on Wang VS Series computers running under VS.

- PallmPAC consists of the following modules that can be used independently on a standalone basis or as an integrated system.

 - Reinsurance Billing and Payables maintains data on ceded premiums payable and ceded losses receivable from insurers.

 - Automobile Rating determines premiums and produces declaration pages for new, renewal, and amended policies.

 - Homeowners Rating determines premiums, produces quotations, creates and maintains a policy master file, and produces declaration pages for new, renewal, and amended policies. Policies can either be direct or agency billed.

 - Policy Administration manages property and casualty insurance policies for the term of each contract and beyond, when necessary.

 - Claims Administration manages property and casualty insurance claims.

 - Billing and Collections supports a range of billing methods and performs direct billing, account current billing, and cash collections.

 - Accounting and General Ledger processes the accounting entries generated by other PallmPAC modules.

 - Disbursements/Check and Draft Reconciliation provides for payments to insureds, claimants, or vendors; issues the check or draft; and maintains a history of uncleared items.

 - Quote Management keeps track of quotes that have been given by prospect name.

 - Bureau Reporting produces statistical transaction tapes and submissions control reports monthly or quarterly as required.

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- Alpha Inquiry/Client Access for master file searches.
- Investment Accounting administers the client company's stock and bond portfolio and produces a Schedule "D" in final form for annual reporting.
- Automated Documentation.

. There are currently over 20 property-casualty customers using the system.

- During 1984 PALLM introduced its Extended Client Participation (ECP) program to its life clients.
 - Clients receive the following services:
 . Extended warranties.
 . Free future enhancements.
 . Participation in semi-annual user surveys.
 . Unlimited telephone consultations.
 - There are currently 34 ECP clients.
- PALLM provides professional services consulting to assist in the customization/modification of its software packages to meet specific client requirements. Services include:
 - Project planning, staffing, and scheduling.
 - Business analyses with cost/benefit justifications.
 - Programming and testing.
 - Model office development.
 - Installation assistance.
 - Technical, professional, and management education.
- In late 1984 PALLM announced the availability of its software products via processing services from PALLM's data center in Indianapolis.
 - The target market for this service would include smaller life/health and property/casualty companies that cannot cost justify a large in-house home office management system.
 - Clients will access PALLM's network via direct dial.
 - There are currently four subscribers of this service.

INDUSTRY MARKETS

- One hundred percent of PALLM's fiscal 1985 revenue was derived from the insurance industry. INPUT estimates the majority was derived from life/health insurance companies and the remaining was derived from property/casualty insurance companies.

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GEOGRAPHIC MARKETS

- Approximately 95% of PALLM's fiscal 1985 revenue was derived from the U.S. The remaining 5% was derived from royalties received from sales in Canada and Japan.
 - In August 1984 PALLM announced a marketing agreement with Arthur Andersen & Company whereby Arthur Andersen can market PALLM's software products outside the U.S.
 - PALLM has a licensing representative in South Korea, PALLM/Y. H. Woo and Associates, Seoul.
- PALLM's subsidiary, PALLM Canada Limited, has headquarters in Toronto.

COMPUTER HARDWARE AND SOFTWARE

- PALLM has the following computers installed at its data center in Indianapolis:
 - 1 IBM 3033-U, OS/MVS.
 - 1 Data General MV-8000 II, AOS.
 - 1 Wang VS-100, VS.

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PACKAGED AUTOMATED LIFE/ LIABILITY MANAGEMENT INCORPORATED
2606 Fortune Circle, East Drive
Indianapolis, IN 46241
(317) 241-2510

Chris C. McEvoy, President
Private Corporation
Total Employees: 180
Total Revenue, Fiscal Year End 3/31/84: $10 million*

THE COMPANY

- Packaged Automated Life/Liability Management Incorporated (PALLM) provides processing services, applications software products, and professional services to life/health and property/casualty insurance companies. PALLM is also an OEM for Wang VS computers.
 - The company was formed in 1969 and incorporated in 1971 as Lycor, Inc. In 1982 the company changed its name to PALLM.
- PALLM has two operating divisions and one wholly owned subsidiary.
 - The PALLM-Life division provides applications software products and professional services to life/health insurance companies.
 - The PALLM-Property/Casualty division provides applications software products and professional services to property/casualty insurance companies.
 - PALLM Canada Limited, a subsidiary with headquarters in Toronto, markets PALLM's application software products in Canada.
- As of March 31, 1984, PALLM had approximately 180 employees. The company currently has approximately 170 employees.
- PALLM's major competitors in the life/health insurance applications software market include The Continuum Company, Cybertek, and Informatics General. PALLM's primary competitor in the property/casualty insurance applications software market is Policy Management Systems.

KEY PRODUCTS AND SERVICES

- Approximately one-half of PALLM's fiscal 1984 revenue was derived from applications software products (and associated maintenance services) and one-half was derived from professional services. Only about 1% of revenue was derived from the sale of a Wang VS computer to a client in association with the sale of PALLM software.

*INPUT estimate

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- PALLM provides applications software products for home office management to the life/health and property/casualty insurance industry. The products are written in COBOL and include the following:

 - PALLM-Life is a home office management system designed for life/health insurance companies. The product is targeted to all but very small-sized companies.

 . PALLM-Life runs on IBM 43XX or larger and plug-compatible mainframes under DOS or MVS and Data General MV Series computers under AOS.

 . PALLM-Life modules, available independently on a standalone basis or as an integrated system, include the following:

 - New Business/Policy Issue uses a series of reference files to build a computerized Policy Master Record from the policyholder's application, manages underwriting and issue requirements, and produces issue documents.

 - Policyholder Service administers changes and provides information via on-line inquiry or printed policy status.

 - Premium Billing supports direct bill, pre-authorized check, premium deposit fund, odd-mode premium collections, educational (9thly-10thly), and franchise/group billing methods.

 - Premium Processing uses information in the Policy Master Record automatically generated by New Business/Policy Issue.

 - Accounting and General Ledger.

 - Marketing and Agency/Commissions calculates and documents agent commissions using the Agent Master File which is maintained by the agency staff through terminals.

 - Marketing and Agency/Performance provides several measures of agent performance. On-line inquiry into the Agent Master File shows year-to-date and last statement-to-date performance results.

 - Agent Licensing maintains licensing information on individual agents, as well as renewal fees and expenses which vary by state and type of license.

 - Universal Life I provides administration for new insurance products that combine higher interest flexible annuities with insurance coverage.

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- Variable Universal Life II administers all life products, any number and type of interest-bearing funds, equity investments, and unit-based investments (real estate trusts, mutual funds, etc.) under one contract.
- Actuarial includes Policy Exhibit and Valuation Premium, and Reserve Reports.
- Flexible Premium Annuity Administration.
- Teleprocessing Executive provides preformatted screens for on-line data entry, interactive file update, and file inquiry.
- Automated Documentation.
- Alpha Inquiry for name searches.
- Letter Writing maintains the text of any number of letters.

. There are currently 80 PALLM-Life clients.

- PALLM-VECTOR, introduced in 1984, provides processing of non-traditional as well as traditional life insurance products including single fund Universal Life I, Variable Universal Life II, Flexible Premium Annuities, Single Premium Deferred Annuities, Variable Annuities, Current Value or Irreplaceable Life, Excess Interest Whole Life, Excess Earning Whole Life, and Variable Life. The product is targeted to all but the very small-sized company.

 . The system provides administrative support for all contracts and periodic activity; real-time processing of new business applications from original data through final disposition; management of multiple funds with any combination of interest or equity investments; commission calculations; policyholder annual statement preparation; and supports LIFO, FIFO, and aggregate accounting methods.

 . PALLM-VECTOR runs on IBM 43XX or larger and plug-compatible mainframes under DOS or MVS and Data General MV Series of computers under AOS.

- PALLM-Liability is a home office management system targeted to small and medium property and casualty insurance companies.

 . The system runs on Wang VS Series computers running under VS.

 . PALLM-Liability consists of the following modules that can be used independently on a standalone basis or as an integrated system.

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- Automobile Rating determines premiums and produces declaration pages for new, renewal, and amended policies.

- Homeowners Rating determines premiums, produces quotations, creates and maintains a policy master file, and produces declaration pages for new, renewal, and amended policies. Policies can either be direct or agency billed.

- Policy Administration manages property and casualty insurance policies for the term of each contract and beyond, when necessary.

- Claims Administration manages property and casualty insurance claims.

- Billing and Collections supports a range of billing methods and performs direct billing, account current billing, and cash collections.

- Accounting and General Ledger processes the accounting entries generated by other PALLM-Liability modules.

- Disbursements/Check and Draft Reconciliation provides for payments to insureds, claimants, or vendors; issues the check or draft; and maintains a history of uncleared items.

- Quote Management keeps track of quotes that have been given by prospect name.

- Bureau Reporting produces statistical transaction tapes and submissions control reports monthly or quarterly as required.

- Alpha Inquiry/Client Access for master file searches.

- Investment Accounting administers the client company's stock and bond portfolio and produces a Schedule "D" in final form for annual reporting.

- Automated Documentation.

. There are currently over 20 PALLM-Liability customers.

. PALLM plans to introduce an upgraded version of PALLM-Liability during 1985.

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- During 1984 PALLM introduced its Extended Client Participation (ECP) program to PALLM-Life clients.
 - Clients receive the following services:
 - Extended warranties.
 - Free future enhancements.
 - Participation in semi-annual user surveys.
 - Tuition-free attendance at all scheduled classes at PALLM headquarters.
 - Unlimited telephone consultations.
 - There are currently 25 ECP clients.
- PALLM provides professional services consulting to assist in the customization/modification of its software packages to meet specific client requirements. Services include:
 - Project planning, staffing, and scheduling.
 - Business analyses with cost/benefit justifications.
 - Programming and testing.
 - Model office development.
 - Installation assistance.
- In late 1984 PALLM announced the availability of its software products via processing services from PALLM's data center in Indianapolis.
 - The target market for this service would include smaller life/health and property/casualty companies that cannot cost justify a large in-house home office management system.
 - Clients will access PALLM's network via direct dial.
 - As yet, there are no subscribers of this service.

INDUSTRY MARKETS

- One hundred percent of PALLM's fiscal 1984 revenue was derived from the insurance industry. INPUT estimates the majority was derived from life/health insurance companies and the remaining was derived from property/casualty insurance companies.

GEOGRAPHIC MARKETS

- Approximately 95% of PALLM's fiscal 1984 revenue was derived from the U.S. The remaining 5% was derived from royalties received from sales in Canada, Europe, South Africa, and Japan.
 - In August 1983 PALLM announced a marketing agreement with Arthur Andersen & Company whereby Arthur Andersen can market PALLM's software products outside the U.S.

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- PALLM's subsidiary, PALLM Canada Limited, has headquarters in Toronto.

COMPUTER HARDWARE AND SOFTWARE

- PALLM has the following computers installed at its data center in Indianapolis:
 - 1 IBM 3033-U, OS/MVS.
 - 1 Data General MV-8000 II, AOS.
 - 1 Wang VS-80, VS.

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PANSOPHIC SYSTEMS, INCORPORATED
2400 Cabot Drive
Lisle, IL 60532
(708) 505-6000

David J. Eskra, Chairman, President, and CEO
Public Corporation, NYSE
Total Employees: 1,630
Total Revenue, Fiscal Year End 4/30/90: $214,410,000

The Company

Pansophic Systems, Incorporated, founded in 1969, traditionally has been a provider of systems software products for large IBM and compatible mainframes. Since 1985, through internal development and acquisitions, Pansophic has expanded its products to include application and systems software products for mainframes, minicomputers, and microcomputers.

- Systems software products provided include computer-aided software engineering (CASE), applications control, and information retrieval and management products.

- Application software products provided include a fully integrated management information and control system for manufacturing, distribution, and financial operations, and a fully integrated warehouse management system.

During mid-1990, Pansophic initiated a plan to improve its competitive positioning by disposing of certain businesses and reorganizing its continuing operations.

- In July 1990, Pansophic completed the sale of its graphics product line to Autographix, Inc. The decision was based on the determination that the graphics business was no longer complementary to the company's long-term strategic direction. The sale included products acquired with Genigraphics Corporation's Systems Division in May 1989 (for $21.1 million).

- During fiscal 1990, Pansophic closed its Brazilian subsidiary due to adverse economic programs introduced in that country.

- Pansophic has reorganized its continuing operations into two divisions:

 - The Systems Software Division develops, markets, and supports all of the company's systems software products.

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- The Applications Software Division develops, markets, and supports the company's application software products and midrange-based productivity tools.

- As a result of the changes described above, Pansophic's fiscal 1990 financials include after-tax losses of $33.5 million from the discontinued graphics operations and charges of $7.2 million ($9.2 million pretax) from the closing of the Brazilian subsidiary and reorganization.

A five-year financial summary follows:

PANSOPHIC SYSTEMS, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ millions, except per share data)

	FISCAL YEAR				
ITEM	4/90	4/89	4/88	4/87	4/86
Revenue from continuing operations	$218.4	$176.8	$156.7	$111.1	$84.2
• Percent increase from previous year	24%	13%	41%	32%	21%
Income from continuing operations before taxes	$35.0 (a)	$32.0	$26.8	$29.0	$21.3
• Percent increase (decrease) from previous year	9%	19%	(8%)	36%	19%
Discontinued operations (b) net of taxes	$(33.5)	$(2.8)	$(2.6)	$(2.5)	--
Net income (loss)	$(12.8)	$17.8	$15.7	$16.8	$14.2
• Percent increase (decrease) from previous year	(172%)	13%	(7%)	18%	19%
Earnings (loss) per share	$(0.69)	$0.96	$0.84	$0.95	$0.81
• Percent increase (decrease) from previous year	(172%)	14%	(12%)	17%	17%

(a) Includes $9.2 million non-recurring pre-tax charges from the closing of the Brazilian subsidiary and corporate reorganization.

(b) Includes charges associated with the discontinuance of the graphics product line.

The company's revenue growth in recent years is due to significant growth in application software sales and slower but continuous growth in the systems software sales.

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- Strong performers during fiscal 1990 included the Pansophic Resource Management System, EASYTRIEVE PLUS, CORPORATE TIE, and EZ/IQ.

- Systems software revenue growth is also attributed to a strong and expanding customer base for recurring support services.

Total product development expenditures were approximately $23.9 million (11% of revenue) in fiscal 1990, $20.4 million (12% of revenue) in fiscal 1989, and $16.5 million (11% of revenue) in fiscal 1988.

Acquisitions made by Pansophic during fiscal 1990 include the following:

- In September 1989, Pansophic purchased the Warehouse BOSS application software product from Distribution Software, Inc. for approximately $1.3 million. The Warehouse BOSS is an AS/400-based warehouse management system for manufacturers and distributors.

- In September 1989, Pansophic also purchased the PAN/LCM product line from Seidl Computer Engineering for $550,000. PAN/LCM is a suite of systems software products to control applications development in workstation and LAN environments.

Revenue from continuing operations for the three months ending July 31, 1990, reached $48.4 million, a 24% increase over $39.2 million for the same period in 1989. Income from continuing operations was $1.6 million, compared to $672,000 for the same period a year ago.

As of April 30, 1990 Pansophic had 1,630 employees (1,170 U.S. and 460 in foreign countries), segmented approximately as follows:

Marketing/sales	1,120
Product development	360
Management, administration, and finance	150
	1,630

Major competitors by product area include the following:

- Systems software: Cincom Systems and Computer Associates.

- Application software: Systems Software Associates, IBM, ASK Computer Systems, American Software, and Marcam.

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Key Products and Services

Approximately 53% of Pansophic's fiscal 1990 revenue was derived from software product license fees, 39% from associated customer support services, and 7% from consulting and training professional services. The remaining 1% of revenue was derived from earned finance charges. A three-year summary of source of revenue follows:

PANSOPHIC SYSTEMS, INC.
THREE-YEAR SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	4/90		4/89		4/88	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
Product and license fees	$115.6	53%	$100.4	57%	$94.1	60%
Customer support fees	85.4	39%	65.1	37%	54.2	35%
Professional services	14.4	7%	8.9	5%	6.1	4%
Finance charges	3.0	1%	2.4	1%	2.3	1%
TOTAL	**$218.4**	**100%**	**$176.8**	**100%**	**$156.7**	**100%**

A three-year summary of source of revenue by product area follows ($ millions):

	FISCAL YEAR					
	4/90		4/89		4/88	
PRODUCT LINE	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
Systems software						
• CASE products	$37.9	17%	$30.1	17%	$31.4	20%
• Applications control products	35.4	16%	30.1	17%	31.3	20%
• Information retrieval and management products	84.4	39%	74.3	42%	65.8	42%
	$157.7	72%	$134.5	76%	$128.5	82%
Application software	$57.7	26%	$38.8	22%	$25.1	16%
Other	$4.0	2%	$3.5	2%	$3.1	2%
TOTAL	**$218.4**	**100%**	**$176.8**	**100%**	**$156.7**	**100%**

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Pansophic currently has over 50,000 installations of its products at over 15,000 mainframe, minicomputer, and microcomputer sites worldwide. A listing of Pansophic's products is provided in Exhibit A and Exhibit B.

Systems Software Products:

Pansophic's CASE products are complete SAA-compliant life cycle development tools consistent with the framework as defined by IBM's AD/Cycle.

- For marketing purposes, GENER/OL is considered a CASE product, but its revenue is included with information retrieval and management products.

Application control products perform on-line application and library control and management.

Information retrieval and management products are multiplatform productivity products designed to enhance information retrieval and data management.

Products scheduled for introduction in fiscal 1991 include:

- A COBOL code generator operating on OS/2
- An AS/400 target option to TELON for distributed applications
- An IDMS target option to TELON to generate IDMS applications
- An on-line version of EASYTRIEVE PLUS
- PANAUDIT PLUS Workstation, a PC facility for auditing mainframe and PC data
- DB RE/generator, an advanced data base design tool for DB2
- An EXCHANGE facility supporting integration with third-party CASE tools and TELON code generation

Application Software Products:

Pansophic's application products are used by more than 1,400 customers worldwide.

The Pansophic Resource Management System™ (PRMS) is a fully integrated enterprise solution that provides businesses with a management information and control system for manufacturing, distribution, and financial operations. PRMS is designed for the IBM AS/400 environment.

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EXHIBIT A

PANSOPHIC SYSTEMS SOFTWARE PRODUCTS

PRODUCT	DESCRIPTION	NUMBER INSTALLED	OPERATING ENVIRONMENT
CASE Products			
- TELON®	Application generator in COBOL and PL/1	525 (sites)	IBM mainframes; MVS, VSE
- TELON®/PWS™ TELON Workstation	Micro-based CASE application generator	200 (sites)	MS/DOS, OS/2
- TELON®/Teamwork®	Analysis and design tool for TELON	New	OS/2
- EXCHANGE	Supports integration between third party CASE tools and TELON code generation	New	MS/DOS, OS/2
- DB RE/generator	Advanced data base design tool for DB2	New	OS/2
- GENER/OL®	Production application development system for CICS	1,000+	IBM mainframes under CICS
Application Control			
- Panvalet/ISPF®	Source library management and control for on-line and batch mainframe environments	6,500	IBM mainframes; MVS/XA
- PANAPT™	Application control system	50	IBM mainframes; MVS/XA
- PANAPT™ DB2	Application control system for DB2 applications	25	IBM mainframes; MVS/XA
- PAN®/MERGE	Consolidates program changes	New	IBM mainframes MVS/XA
- PFF™	Protection file facility	New	IBM mainframes; MVS/XA
- PAN®/LCM™	Workstation change and configuration manager	New	MS/DOS, OS/2
- LCS®/CMF	Library control and change management facility	150	IBM mainframes; MVS/XA
- VMLIB™	Library control and management product for VM	500	IBM mainframes; MVS/XA
- PANEXEC®	Executable library management and control system	1,000	IBM mainframes; MVS/XA
Information Retrieval and Management Software			
- EASYTRIEVE®PLUS	Informational retrieval and data management system	6,000	IBM mainframes, 9370; DOS/VS(E), OS/MVS, MVS/XA
- EASYTRIEVE®PLUS PC	Micro version of EASYTRIEVE PLUS	3,500	PC/DOS, MS/DOS
- EASYTRIEVE®PLUSNL	PC end user query tool and EZT+ code generator	3,500	PC/DOS, MS/DOS
- EZ/INTERACTIVE QUERY® (EZ/IQ)	Menu-based system for query development for EASYTRIEVE PLUS	250	IBM mainframes; OS/VS(E), OS/MVS, MVS/XA
- PANAUDIT®PLUS	Audit and systems analysis tool	750	IBM mainframes; all standard operating systems
- THE CORPORATE TIE®	Mainframe-to-micro network communications system	100	MVS/CICS, VSE/CICS
- TELEVIEW®	Session management utility	250	IBM mainframes; MVS

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EXHIBIT B

PANSOPHIC APPLICATION SOFTWARE PRODUCTS

PRODUCT	DESCRIPTION	NUMBER INSTALLED	OPERATING ENVIRONMENT
Pansophic Resource Management System (PRMS)	Integrated manufacturing, distribution, and financial system	1,400	IBM AS/400
- Manufacturing Application	Master production scheduling, MRPII, shop floor control, capacity requirements planning		
- Distribution Application	Order entry and billing, purchasing and receiving, inventory control		
- Financial Application	Accounts receivable, accounts payable, payroll and human resources, and general ledger, forecasting and budgeting		
Warehouse BOSS™	Warehouse management system	New	IBM AS/400
System Tools			
- FUSION®	Report writer and query product	15,000	IBM AS/400
- MASTERMIND®	Operations scheduler	New	IBM AS/400
- ESP/upgrade (a)	Upgrade automation	1,400	IBM AS/400
- Menu Master (a)	Menu/security tailoring	1,400	IBM AS/400
- Documenter (a)	Online documentation system	1,400	IBM AS/400
- Translation Utility (a)	Language translation/tailoring system terminology	1,400	IBM AS/400

(a) Used with PRMS.

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- More than 50 major international and multinational organizations have installed PRMS in multiple manufacturing sites worldwide.
- Pansophic is planning to enhance PRMS capabilities for process and combination (or coexistent) manufacturing environments, and to expand into the distribution and logistics environment.
- The company is also further integrating PRMS into the enterprise-wide CIM environment through the development of strategic alliances with plant floor and CAD application vendors, as well as through internal development.
- Pansophic's CIM strategy is to offer a comprehensive, single-vendor CIM solution comprised of strategic planning, consulting, integrator services, software products, and services.

Warehouse BOSS, an IBM AS/400-based warehouse management system acquired this year, may be used on a standalone basis or in conjunction with PRMS to assist manufacturers with sizable distribution operations.

Industry Markets

Pansophic's systems software products are used by customers across industries, including manufacturing, banking, insurance, transportation, utilities, health care, and education, as well as federal, state, and local governments.

Pansophic's application software products are used by customers in the discrete, process, and repetitive manufacturing environments, as well as the large-scale distribution environment.

Geographic Markets

Approximately 60% of Pansophic's fiscal 1990 revenue was derived from the U.S. and 40% from international operations.

A three-year summary of source of revenue by geographic area, as provided by Pansophic, follows:

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PANSOPHIC SYSTEMS, INC.
THREE-YEAR SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	4/90		4/89		4/88	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
To unaffiliated customers						
• U.S.	$140.8	65%	$113.7	64%	$101.1	64%
• Europe	53.5	24%	42.6	24%	39.0	25%
• Other	24.1	11%	20.5	12%	16.6	11%
Between geographic areas						
• U.S.	$23.7	11%	20.5	12%	17.3	11%
• Europe	11.0	5%	2.8	1%	3.1	2%
• Other	0.2	–	0.2	–	0.2	–
• Eliminations	(34.9)	(16%)	(23.5)	(13%)	(20.6)	(13%)
TOTAL	**$218.4**	**100%**	**$176.8**	**100%**	**$156.7**	**100%**

U.S. offices are located in Charlotte (NC); Cincinnati (OH); Denver (CO); El Segundo, Huntington Beach, San Mateo, and San Rafael (CA); Farmington Hills (MI); Irving (TX); Lexington (MA); Maitland (FL); Minneapolis (MN); Nashville (TN); Norwalk (CT); Naperville and Oak Brook Terrace (IL); Pittsburgh and West Conshohocken (PA); Richmond and Vienna (VA); Roswell (GA); Saddlebrook (NJ); Seattle (WA); and St. Louis (MO).

Product development offices are located in Brookfield (WI), Clearwater (FL), Dublin (OH), Quincy (MA), Salt Lake City (UT), San Rafael (CA), and Neuss (West Germany).

Foreign subsidiaries/offices are located in Australia, Belgium, Canada, Denmark, England, Finland, France, Italy, Japan, Norway, Sweden, The Netherlands, Singapore, the U.K., and Germany.

International distributors are located in Argentina, Columbia, Greece, Israel, Korea, Japan, Mexico, New Zealand, Southeast Asia, and Venezuela.

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Computer Hardware and Software

Pansophic has the following computers installed at its Lisle data center for in-house processing and product research and development.

- 4 IBM 3081s
- 3 IBM AS/400s
- 3 IBM System/38s
- 1 IBM System/36

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PANSOPHIC SYSTEMS, INCORPORATED
709 Enterprise Drive
Oak Brook, IL 60521
(312) 986-6000

David J. Eskra, Chairman and CEO
William G. Nelson IV, President and COO
Public Corporation, NYSE
Total Employees: 1,125
Total Revenue, Fiscal Year End 4/30/87: $114,625,000

The Company

Pansophic Systems, Incorporated, founded in 1969, traditionally has been a provider of systems software products for large IBM and compatible mainframes. Since 1985, through internal development and acquisitions, Pansophic has expanded its products to include application and systems software products for mainframes, minicomputers, and microcomputers.

- System software products include information retrieval, library control, applications development, and other system productivity tools.
- Application software products include graphics, decision support, manufacturing, distribution, and financial packages.

Pansophic's operations are currently organized into four product companies, each with its own marketing, sales, development, and management, as follows:

- System Life Cycle Products Company markets and supports Pansophic's application development and library control systems software products.
- Productivity Products Company markets and supports Pansophic's information retrieval, connectivity, and report writer software products.
- Applications Products Company, formed with the acquisition of Professional Computer Resources, Inc. in 1986, provides application software products for IBM System 38 computers.
- Graphics Products Company provides graphics software and turnkey products for various types of computers.

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Fiscal 1987 revenue reached $114.6 million, a 36% increase over fiscal 1986 revenue of $84.2 million. Net income rose 18%, from $14.2 million in fiscal 1986 to $16.8 million in fiscal 1987. A five-year financial summary follows:

PANSOPHIC SYSTEMS, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

	FISCAL YEAR				
ITEM	4/87	4/86	4/85	4/84	4/83
Revenue	$114,625	$84,237	$69,497	$53,118	$43,062
• Percent increase from previous year	36%	21%	31%	23%	21%
Income before taxes	$25,145	$21,287	$17,956	$12,735	$9,578
• Percent increase from previous year	18%	19%	41%	33%	20%
Net income	$16,761	$14,161	$11,885	$8,328	$5,778
• Percent increase from previous year	18%	19%	43%	44%	25%
Earnings per share (a)	$0.95	$0.81	$0.69	$0.49	$0.39
• Percent increase from previous year	17%	17%	41%	26%	22%

(a) Restated to reflect a 2-for-1 stock split effective April 2, 1987.

Pansophic management attributes fiscal 1987 revenue increases primarily to substantially greater Telon license and customer support revenue, as well as revenue generated from application software products acquired with Professional Computer Resources, Inc.

Pansophic management states that the company has been able to maintain relatively constant operating margins despite the costs associated with major expansions of both its sales force and product lines.

Product development expenditures were approximately $15.0 million (13% of revenue) in fiscal 1987, $10.4 million (12% of revenue) in fiscal 1986, and $7.0 million (10% of revenue) in fiscal 1985.

- Fiscal 1987 expenditures include $3.3 million of internally developed software that was capitalized under Statement of

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Financial Accounting Standards No. 86, which the company adopted effective May 1, 1986.

Revenue for the six months ending October 31, 1987, reached $71.1 million, a 58% increase over $45.1 million for the same period in 1986. Net income was $6.8 million, an increase of 15% over $5.9 million for the same period a year ago.

- Increases were attributed to increased sales of Telon, Productivity Products, and Applications Products.

- International revenue increased over 70%, while U.S. revenue increased approximately 50%.

Acquistions made by Pansophic during 1986 and 1987 include the following:

- In October 1987, Pansophic purchased the XPF family of products from Boole & Babbage for $4.5 million.

 - The product family includes XPF/COBOL and XPF/COBOL CICS which are interactive test and debug software facilities for IBM mainframes.

 - The products will be marketed and supported through Pansophic's System Life Cycle Products Company.

- In September 1987, Pansophic acquired the Management of Production Software (MPS) product from Technology Management Group, Inc. of Bellevue (WA). Pansophic markets this product under the name "PANAPT" (Pansophic's Automated Production Turnover).

 - PANAPT provides for the controlled movement of software from a testing environment into a production environment.

 - PANAPT is part of Pansophic's Library Management product portfolio which includes Panvalet, Change Management Facility, VMLIB, and XPF/COBOL, all marketed by Pansophic's System Life Cycle Products Company.

- In July 1987, Pansophic acquired West End Film Inc. of Washington, D.C. for $5 million in stock in a pooling of interests transaction.

 - West End Film provides microcomputer-based graphics software.

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- The products are marketed as part of Pansophic's turnkey Graphics Workstation through its Graphics Products Company.

- In December 1986 Pansophic acquired Professional Computer Resources, Inc. (PCR) of Oak Brook Terrace (IL) for $17 million in cash plus options for 150,000 shares of Pansophic common stock.

 - PCR developed and marketed manufacturing, distribution, accounting, and personnel application software products for IBM System 38 computers.

 - The operations of PCR have been merged into Pansophic's Applications Products Company.

- In December 1986 Pansophic acquired Remote Data Systems, Incorporated of Brookfield (WI), supplier of The Corporate Tie, a mainframe-to-microcomputer communications product. The product is now marketed through Pansophic's Productivity Products Company.

- In October 1986 Pansophic acquired the Starburst presentation graphics software business of Audio Visual Laboratories, Inc. for $2.5 million. The product is now marketed through Pansophic's Graphics Products Company.

- In September 1986 Pansophic acquired Fusion Products International, Inc. of San Rafael (CA) for approximately $7.2 million in common stock (462,000 shares). The acquisition has been accounted for as a pooling of interests.

 - Fusion Products provides systems software products for IBM System 36 and 38 computers.

 - The company had revenue of $2.8 million and net losses of $183,000 for the fiscal year ending April 30, 1986.

 - The operations of Fusion Products have been merged into Pansophic's Productivity Products Company.

- In February 1986 Pansophic exercised its option to purchase Schonfeld & Associates for $1.9 million. Assets purchased in the transaction primarily included the INGOT business analysis and modeling product and full marketing rights.

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- In January 1986 Pansophic acquired the Graphics Division of Dataplotting Services Inc. (a wholly owned subsidiary of British Petroleum Resources Canada Limited) for $711,000.
 - Assets acquired with the purchase include the D-PICT family of integrated graphics software products, and licensing rights to certain other D-PICT programs.
 - The operations of this division have been merged into Pansophic's Graphics Products Company.

As of April 30, 1987 Pansophic had 1,125 employees (858 U.S. and 267 in Foreign countries), segmented approximately as follows:

Marketing/sales	795
Product development	192
Management, administration, and finance	138
	1,125

- The company currently has approximately 1,300 employees.

Major competitors by product area include the following:

- Systems software: Cincom Systems, Cullinet, Computer Associates, and Applied Data Research.
- Graphics software: Computer Associates, Precision Visuals, and Genigraphics.

Key Products and Services

Over 98% of Pansophic's fiscal 1987 revenue was derived from software product license fees and associated customer support fees. Less than 2% was derived from finance charges. A three-year summary of source of revenue follows:

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PANSOPHIC SYSTEMS, INC.
THREE-YEAR SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	4/87		4/86		4/85	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
Product and license fees	$74.8	65%	$56.2	67%	$46.5	67%
Customer support fees	37.8	33%	26.3	31%	21.8	31%
Earned finance charges	2.0	2%	1.7	2%	1.2	2%
TOTAL	$114.6	100%	$84.2	100%	$69.5	100%

Pansophic offers systems and application software products for a range of computer systems.

- The company has over 50,000 installations of its products at over 15,000 mainframe, minicomputer, and microcomputer sites worldwide.
- Products are grouped by Pansophic into the following functional areas:
 - Productivity Products.
 - System Life Cycle Products.
 - Applications Products.
 - Graphics Products.

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- A three-year summary of source of revenue by product area follows:

	FISCAL YEAR		
PRODUCT AREA	4/87	4/86	4/85
Productivity Products	44%	51%	57%
System Life Cycle Products	40%	43%	38%
Applications Products	6%	--	--
Graphics Products	2%	1%	--
Other	8%	5%	5%
TOTAL	**100%**	**100%**	**100%**

A listing of Pansophic's products is provided in Exhibit A and Exhibit B.

Pansophic's primary products are Easytrieve^{R}Plus, which facilitates the retrieval of stored data, Panvalet^{R}, which stores and protects software program libraries, and Telon^{R}, a computer-aided systems engineering application generator. Recent product introductions made by Pansophic include the following:

- Productivity Products:
 - The Corporate TieTM, acquired in December 1986, provides facilities to perform high-speed file transfer with both interactive menus and a PC-based command language. It allows PC-based end users to access mainframe data in a controlled environment while fully supporting data center security.
 - Fusion report writer and query products for IBM System 36 and 38 computers were acquired in September 1986.
- Applications Products.
 - As a result of the acquisition of Professional Computer Resources in December 1986, Pansophic offers manufacturing, distribution, and financial reporting software products for IBM System 38 computers.

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EXHIBIT A

PANSOPHIC SYSTEMS SOFTWARE PRODUCTS

Product	Description	Number Installed	Operating Environment
Productivity Products			
- Easytrieve^{R}Plus	Informational retrieval and data management system.	6,000	IBM mainframes, 9370; DOS/VS(E), OS/MVS, MVS/XA
- Easytrieve^{R}Plus PC	IBM micro version of Easytrieve Plus.	3,500	PC/DOS, MS/DOS
- Easytrieve^{R}Plus NL	PC end user query tool and EZT+ code generator.	New	PC/DOS, MS/DOS
- EZ Interactive QueryTM	Mainframe end user query tool.	New	IBM mainframes; DOS/VS(E), OS/MVS, MVS/XA
- Panaudit^{R}Plus	Audit and systems analysis tool.	750	IBM mainframes; all standard operating systems
- PanlinkTM	Universal mainframe-to-micro link.	600	MVS/TSO/CICS, VSE/CICS, IMS, CMS
- Fusion^{R}	Report writer and query product.	15,000	IBM System 36 and 38
- The Corporate TieTM	Mainframe-to-micro network communications product.	100	MVS/CICS, VSE/CICS
- Gener/ol^{R}	Interactive application development system for CICS.	1,000+	IBM mainframes and compatibles under CICS
System Life Cycle Products			
- Telon^{R}	Application generator in COBOL and PL/1.	300 (sites)	IBM mainframes; MVS, VS1
- Telon^{R}PC	Micro application design and prototyping tool for input to Telon.	50 (sites)	MS/DOS, OS/DOS
- Panvalet/ISPF^{R}	Stores, maintains, and protects source programs from unauthorized access.	6,500	IBM mainframes; MVS/XA
- Panexec^{R}	Complement to Panvalet for executable programs.	1,000	IBM mainframes; MVS/XA
- PANAPT	Automated production turnover.	50	IBM mainframes; MVS/XA
- Change Management Facility^{R}	Automated change management with source and load library control.	150	IBM mainframes; MVS/XA
- XPF/COBOL	Interactive test and debug system.	200	IBM mainframes; MVS/XA
- VMLIBTM	Library control and management product for VM.	500	IBM mainframes; MVS/XA

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EXHIBIT B

PANSOPHIC APPLICATION SOFTWARE AND WORKSTATION PRODUCTS

Product	Description	Number Installed	Operating Environment
Applications Products			
- Pansophic Manufacturing/38™	Defines needs, analyzes resource availability and costs, schedules purchasing and production.	350	IBM System 38
- Pansophic Distribution/38™	Order tracking, backlog management, order entry, billing, purchasing, and inventory control system.	400	IBM System 38
- Pansophic Financial/38™	Accounts receivable, accounts payable, payroll, and budgeting system.	400	IBM System 38
Graphics Products			
- Pansophic D-Pict®	Business and technical graphics software.	300	IBM, DEC, Prime, Data General
- Pansophic Starburst II	Graphics workstation suited for high volume production center.	275	Compaq 386, Indtech 286,and compatibles
- Pansophic Studio Works	An integrated presentation graphics workstation combining 2-D and 3-D graphic functionality with video, animation, and page layout capabilities.	600	Compaq 386, Indtech 286, and compatibles
- Pansophic 35mm Express™	Business presentation graphics.	250	IBM PC/AT and compatibles

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- Pansophic Manufacturing/38™ (PM/38) is a fully integrated manufacturing, distribution, and financial applications system. PM/38 helps users define needs, analyze resource availabilities and costs, and schedule purchasing and production. This system provides complete business control across all manufacturing environments--discrete, process, and high volume repetitive. Applications include Master Production Scheduling, MRP II, Shop Floor Control, and Capacity Requirements Planning.

- Pansophic Distribution/38™ (PD/38) helps users improve customer service levels through better order tracking and backlog management. PD/38 provides the capability to execute, monitor, and control the purchasing aspects of the material plan. The system helps control financial liabilities through credit checking capabilities. Applications include Order Entry and Billing, Purchasing and Receiving, and Inventory Control.

- Pansophic Financial/38™ (PF/38) provides users with the tools necessary to plan, monitor, and report the financial activities of the company. Applications include Accounts Receivable; Accounts Payable; Payroll and Human Resources; and General Ledger, Forecasting, and Budgeting.

- Graphics Products.

 - D-Pict/Intellichart, introduced in January 1986, provides business and technical graphics software for a range of mainframes, minicomputers, and microcomputers.

 - Pansophic Graphics Workstations, introduced in October 1986, are turnkey products that combines an IBM PC/AT (or compatible) with Starburst and Studio Works software to provide 2-D and 3-D art, charting, text page layout, image capture, paint, and animation.

 - 35mm Express provides simplified graphics capabilities for microcomputer users.

Recent agreements announced by Pansophic include the following:

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- In September 1987 Pansophic announced the formation of a Japanese joint venture with K.K. Ashisuto. The newly formed company, K.K. Pansophic, will be the exclusive marketer of Pansophic products in Japan.

- In September 1987 Pansophic entered into a joint marketing and development agreement with Cadre Technologies, Inc. for Cadre's Teamwork family of computer-aided software engineering products. Pansophic also acquired 7.8% ownership in Cadre.

- In August 1987 Pansophic signed a marketing agreement with Synon Ltd. and Synon, Inc. to market Synon's application generator products for IBM System 38 computers on a worldwide non-exclusive basis. Pansophic will market the products as TELON 38.

Industry Markets

Pansophic's systems software and graphics products are used by clients across industries, including manufacturing, banking, insurance, retail, transportation, utilities, health care, and education, as well as federal, state, and local governments.

Pansophic's application software products are used by clients in the discrete and process manufacturing, distribution, and other industries.

Geographic Markets

Approximately 67% of Pansophic's fiscal 1987 revenue was derived from the U.S. and 33% was from international operations.

A three-year summary of source of revenue by geographic area, as provided by Pansophic, follows:

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PANSOPHIC SYSTEMS, INC.
THREE-YEAR SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	4/87		4/86		4/85	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
To unaffiliated customers						
• U.S.	$83.7	73%	$63.7	76%	$55.7	80%
• Europe	20.4	18%	12.6	15%	7.8	11%
• Other	10.5	9%	7.9	9%	6.0	9%
Between geographic areas						
• U.S.	$8.8	8%	$6.5	8%	$5.0	7%
• Europe	2.9	2%	2.1	2%	1.0	1%
• Elimnations	(11.7)	(10%)	(8.6)	(10%)	(6.0)	(8%)
TOTAL	**$114.6**	**100%**	**$84.2**	**100%**	**$69.5**	**100%**

U.S. offices are located in Denver, Farmington Hills (MI), Irving (TX), Lexington (MA), Norwalk (CT), Naperville and Oak Brook (IL), Roswell (GA), Saddle Brook and Teaneck (NJ), El Segundo, San Mateo, and Westminster (CA), Vienna (VA), and Wayne (PA).

Product development offices are located in Brookfield (WI), Clearwater (FL), Naperville and Oak Brook Terrace (IL), Quincy (MA), Salt Lake City (UT), San Rafael (CA), Shrewsbury (NJ), Washington, D.C., Neuss (West Germany), and North York (Canada).

Foreign subsidiaries are located in Australia, Belgium, Brazil, Canada, England, France, Italy, Sweden, The Netherlands, and West Germany.

International distributors are located in Australia, Austria, Argentina, Canada, France, Greece, Israel, Italy, Japan, Mexico, The Netherlands, New Zealand, Southeast Asia, Spain, Sweden, Switzerland, the U.K., Venezuela, and West Germany.

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Computer Hardware and Software

Pansophic has the following computers installed at its Naperville data center for in-house processing and product research and development.

- 1 IBM 3083-E.
- 1 IBM 4381.
- 1 IBM System 38.

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FINANCIAL UPDATE TO PROFILE DATED OCTOBER 1985

PANSOPHIC SYSTEMS, INC.
709 Enterprise Drive
Oak Brook, IL 60521
(312) 986-6000

Joseph A. Piscopo, Chairman
David J. Eskra, Vice Chairman and CEO
William G. Nelson IV, President and COO
Public Corporation, NYSE
Total Employees: 766
Total Revenue, Fiscal Year End 4/30/86: $81,433,000

PANSOPHIC SYSTEMS, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	4/86	4/85	4/84	4/83	4/82
Revenue	$81,433	$67,325	$53,118	$43,062	$35,522
. Percent increase from previous year	21%	27%	23%	21%	18%
Income before taxes	$21,490	$17,881	$12,735	$ 9,577	$ 7,959
. Percent increase from previous year	20%	40%	33%	20%	99%
Net income	$14,344	$11,815	$ 8,328	$ 5,778	$ 4,629
. Percent increase from previous year	21%	42%	44%	25%	87%
Earnings per share	$ 1.69	$ 1.40	$ 1.01	$ 0.80	$ 0.66
. Percent increase from previous year	21%	39%	26%	21%	50%

- Product development expenses increased over 42% during fiscal 1986 in order to enhance and upgrade established products as well as to develop new products. These expenses were approximately $9.7 million (12% of revenue) in fiscal 1986, $6.8 million (10% of revenue) in fiscal 1985, and $5.4 million (10% of revenue) in fiscal 1984.

- Revenue for the three months ending July 31, 1986 reached $20.1 million, a 24% increase over $16.3 million for the same period in 1985. Net income for the period was $2.4 million compared to $2 million for the same period a year ago.

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- Recent acquisitions made by Pansophic include the following:
 - In January 1986 Pansophic acquired the Graphics Division of Dataplotting Services Inc., a wholly owned subsidiary of British Petroleum Resources Canada Limited, for $711,000. In exchange for the purchase price, Pansophic received the D-PICT family of integrated graphics software products, licensing rights for certain other D-PICT programs, and other related assets.
 - In February 1986 Pansophic exercised its option to purchase the assets of Schonfeld & Associates, pursuant to an agreement entered into in July 1985. For a total cost of $1.9 million, Pansophic received the net assets of Schonfeld, principally consisting of the INGOT decision support software system and the rights to market that product line.
 - In August 1986 Pansophic signed a letter of intent to acquire Fusion Products International, Inc. of San Rafael (CA) in a stock transaction valued at $7.2 million. Fusion, founded in 1981, develops and markets information retrieval and report writing systems with data dictionary, query, and PC link capabilities for IBM System 36 and 38 computers.
- Beginning in November 1985, Pansophic's common stock began trading on the New York Stock Exchange. The stock was previously traded on the national over-the-counter market.

SOURCE OF REVENUE

- Ninety-eight percent of Pansophic's fiscal 1986 revenue was derived from software product license fees and associated customer support fees. Two percent was derived from finance charges. A three-year summary of source of revenue follows ($ thousands):

FISCAL YEAR / ITEM	4/86		4/85		4/84	
	Revenue	Percent of Total	Revenue	Percent of Total	Revenue	Percent of Total
Product and license fees	$53,786	66%	$44,444	66%	$33,153	62%
Customer support fees	25,938	32	21,682	32	18,946	36
Earned finance charges	1,709	2	1,199	2	1,019	2
Total	$81,433	100%	$67,325	100%	$53,118	100%

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- Revenue cantributian by praduct category for fiscal 1986 is estimated as fallaws:

Informatian retrieval praducts	38%
Library cantral systems	34
Applicatian develapment systems	21
Other	7
	100%

- Pansaphic currently has aver 35,000 praduct installatians at 8,300 sites warldwide. Clients come fram acrass industry sectors and include:

 - Farty-six af the 50 largest U.S. cammercial banks.
 - Farty-twa of the 50 largest U.S. utility companies.
 - Farty af the 50 largest U.S. retailers.
 - Thirty-five af the 50 largest U.S. transpartatian campanies.
 - Farty af the 50 largest U.S. insurance campanies.

- Appraximately 67% af Pansaphic's fiscal 1986 revenue was derived fram the U.S. and 33% fram internatianal saurces. On a canstant dallar basis, internatianal revenue increased by 39% in 1986, primarily as a result af Eurapean aperatians.

NEW PRODUCTS AND SERVICES

- D-PICT, acquired during fiscal 1986 with the Graphics Divisian af Dataplatting Services Inc., is a family of integrated graphics software praducts designed far business and scientific applicatians. The praducts run an DEC, Prime, Data General, AT&T, and Sun Micrasystems computers.

- In January 1986 Pansaphic intraduced Library Cantral System/Change Management Facility (LCS/CMF), a library management product that safeguards, monitars, and cantrals saftware assets and pravides autamated change management ta manitar the system's develapment life cycle. LCS/CMF ranges in price fram $22,000 to $97,000.

- In February 1986, as a result of the acquisitian af Schanfeld & Assaciates, Pansaphic acquired INGOT, a decisian suppart system that integrates statistical analysis, project management, financial simulatian, graphics, and ather capabilities. INGOT is available far a range af minicamputer and mainframe systems, including mast UNIX-based systems.

- In April 1986 Pansaphic annaunced it had been selected by Data General as an Independent Saftware Vendar far Pansaphic's D-PICT and INGOT praducts.

- In May 1986 Pansaphic annaunced the availability af EASYTRIEVE PLUS-PC, an IBM micracamputer versian of Pansophic's EASYTRIEVE PLUS infarmatian retrieval and data management system.

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- In September 1986 Pansophic announced the availability of the EASYTRIEVE PLUS TOOL KIT, a collection of routines written in EASYTRIEVE PLUS that perform utility tasks for day-to-day processing activities.

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PANSOPHIC SYSTEMS, INC.
709 Enterprise Drive
Oak Brook, IL 60521
(312) 986-6000

Joseph A. Piscopo, Chairman
David J. Eskra, Vice Chairman and CEO
William G. Nelson IV, President and COO
Public Corporation, OTC
Total Employees: 500
Total Revenue, Fiscal Year End 4/30/85: $67,324,936

THE COMPANY

- Pansophic Systems, Inc., founded in 1969, develops, markets, and supports systems software products. Products include applications development, information retrieval, data center management, and library control packages.

- Fiscal 1985 revenue reached $67.3 million, a 27% increase over fiscal 1984 revenue of $53.1 million. Net income rose 42% from $8.3 million in fiscal 1984 to $11.8 million in fiscal 1985. A five-year financial summary follows:

PANSOPHIC SYSTEMS, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

FISCAL YEAR / ITEM	4/85	4/84	4/83	4/82	4/81
Revenue	$67,325	$53,118	$43,062	$35,522	$30,155
. Percent increase from previous year	27%	23%	21%	18%	29%
Income before taxes	$17,881	$12,735	$ 9,577	$ 7,959	$ 4,007
. Percent increase from previous year	40%	33%	20%	99%	47%
Net income	$11,815	$ 8,328	$ 5,778	$ 4,629	$ 2,475
. Percent increase from previous year	42%	44%	25%	87%	61%
Earnings per share	$ 1.40	$ 1.01	$ 0.80	$ 0.66	$ 0.44
. Percent increase from previous year	39%	26%	21%	50%	52%

- Pansophic management attributes fiscal 1985 growth to a 28% increase in product and license fees, stability of the sales force, gains from the sales of

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the TELON and PANLINK software products introduced during the year, and from continued strong sales of GENER/OL.

- Product development expenditures were $6.8 million (10% of revenue) in fiscal 1985, $5.4 million (10% of revenue) in fiscal 1984, and $4.5 million (11% of revenue) in fiscal 1983.

- Recent acquisitions made by Pansophic include the following:

 - In April 1984 Pansophic acquired VMLIB[T.M.], a source library system, from VM Software, Inc. of Vienna (VA) for $2,200,000.

 - In April 1984 Pansophic acquired a 15% interest in Christensen Systems, Inc. for $500,000 and in November 1984 exercised their option to acquire the remaining 85% for $2 million. The Quincy (MA) software company is the developer of TELON, an on-line application development program.

 - At the time of the acquisition, TELON had been installed at 37 IMS sites, accounting for sales of about $3 million.

 - Christensen will receive royalties for the sale of its products during the next five years.

- As of April 30, 1985, Pansophic had 500 employees segmented approximately as follows:

Marketing/sales	346
Product development and technical support	116
Management, administration, and finance	38
	500

 - The company currently has 620 employees.

- Major system software competitors include Cincom Systems, IBM, Informatics General, Oxford Software, Applied Data Research, Cullinet Software, and SAS Institute.

KEY PRODUCTS AND SERVICES

- Over ninety-eight percent of Pansophic's fiscal 1985 revenue was derived from systems software product license fees and associated customer support fees. Less than 2% was derived from finance charges. A three-year summary of source of revenue follows ($ thousands):

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FISCAL YEAR / ITEM	4/85		4/84		4/83	
	Revenue	Percent of Total	Revenue	Percent of Total	Revenue	Percent of Total
Product and license fee	$44,444	66%	$33,153	62%	$29,352	68%
Customer support fees	21,682	32	18,946	36	12,825	30
Earned finance charges	1,199	2	1,019	2	885	2
Total	$67,325	100%	$53,118	100%	$43,062	100%

- Pansophic offers systems software products for medium and large-scale IBM and compatible mainframes for use in all standard IBM operating environments.
 - Over 28,000 products and options have been licensed to over 8,100 users in 68 countries.
 - Products are grouped by Pansophic into the following functional areas:
 - Information Retrieval.
 - Library Control Systems.
 - On-Line Application Development
 - A listing of Pansophic's software products is provided in the exhibit.
- Information Retrieval products accounted for approximately 41% of fiscal 1985 revenue and include the following:
 - EASYTRIEVE® PLUS, introduced in January 1984 as a technological successor to EASYTRIEVE® , is an information retrieval and data management system offering data analysis, a query and application language, and on-line development capabilities under CMS, TSO, or CICS. This new version includes expanded reporting flexibility through special logic procedures and special formatting facilities; enhanced file processing facilities; extended debugging and compile option; ability to create object code; and no restrictions on size of program and storage areas. The system is priced at $27,000 for OS or $21,000 for DOS.
 - EASYTRIEVE PLUS has been offered to existing EASYTRIEVE users as part of their annual maintenance. The product is also offered with an on-line option EZ/KEY™, a syntax-directed editor, which Pansophic developed internally and released in January 1984.

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EXHIBIT

PANSOPHIC SOFTWARE PRODUCTS

PRODUCT	DESCRIPTION	YEAR INTRODUCED	NUMBER INSTALLED	CPU REQUIREMENTS
• Information Retrieval				
– EASYTRIEVE® PLUS	Information retrieval and data management system for end user reporting applications.	1983 (EASYTRIEVE®, its predecessor, was introduced in 1973.)	6,000	IBM 360/370; 43XX, 303X, XT/370 and plug compatibles. IBM DOS/VSE VM/370, OS/VS1 or MVS.
– PANAUDIT® PLUS	Financial and EDP auditing system to test and report on data stored in computer files.	1984 (PANAUDIT®, its predecessor, was introduced 1n 1979.)	800	IBM 360/370; 43XX, 30XX and plug compatibles that support DOS, DOS/VSE, VS1, MVS or VM/CMS.
– PANLINK T.M. (Tempus-Link T.M. from Pansophic)	Universal mainframe-to-micro link.	1984	300	S/370 and up, running CMS, CICS or TSO. IBM PCs running PC DOS.
• Library Control				
– PANVALET®	Sophisticated management and control system that establishes a central direct access library of all source and object programs, job control cards and data.	1969	5,000	IBM 360/370, 43XX and 30XX supports all IBM compatible disk devices and IBM VS1/VS1/MVS and DOS/VSE systems.
– PANEXEC®	Executable program library management.	1977	600	IBM 370, 43XX, 303X or plug compatibles, VS1/MVS, MVS/XA.
– O·W·L T.M.	Interactive on-line program development tool.	1978	700	IBM 360/370, 43XX, 303X.
– VMLIB T.M.	Provides program development and control for VM operating systems.	1980	150	VM/CMS
– Library Control System T.M.	Integrated package combining PANVALET® and PANEXEC® functions.	1980	N/A	IBM 360/370, 30XX 43XX and compatibles (all operating systems).
• On-line Application Development				
– TELON T.M.	Complete application development productivity system for IMS-DC and CICS.	1981	65	IBM 370, 30XX, 43XX/MVS, VS1.
– GENER/OL®	Interactive on-line program development and query system for CICS.	1982	600	IBM 360/370, 43XX and plug compatibles under CICS 1.5 and up.

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. The EZ/KEY option includes a language sensitive editor, a help facility, a tutorial, and the choice of prompt or free mode. The option sells for $9,000 for DOS and $15,000 for OS.

- PANAUDIT® PLUS, introduced in January 1985, is the successor to PANAUDIT® and is a computer auditing system consisting of general routines for integrity tests, numerical calculations, file comparison, and test file generation; statistical routines for distribution analysis and an array of sampling techniques; and other specialized routines. The system is priced at $19,000 for OS and $15,900 for DOS.

- PANLINK™ (Tempus-Link™ from Pansophic) is a universal mainframe-to-micro link product, introduced in June 1984. Its open architecture supports a variety of communicative environments and its virtual disk concept makes it flexible and powerful yet transparent to the PC user. PANLINK allows mainframes and micros to exchange data, allows micros to exchange data with each other, and provides data control and security. The system is priced at $6,500 for DOS with five-user MCU (maximum concurrent users) and $9,000 for OS with five-user MCU.

- Library Control software product licenses contributed approximately 32% of fiscal 1985 revenue. The Library Control System™ is comprised of PANVALET® , a source program management and control system for establishing a central direct access library of all source and object programs, job control cards and data; and PANEXEC® , a management and control system for executable program libraries providing control of programs in the development and production process. Other library products available include VMLIB™ and O-W-L™ .

 - VMLIB is a source library system for the VM/CMS and XEDIT environment that provides control of source code accessed by multiple users and tracking of changes made to that source code. VMLIB also creates audit files of all activity on source members.

 - O-W-L (On-Line Without Limits) is an on-line program development and maintenance tool featuring multilevel security and storage environments of source program libraries. It supports concurrent on-line and batch functions and integrates aids, prompts, and text-editing facilities.

- On-line Application Development product license fees contributed approximately 23% to 1985 fiscal revenues. Products in this functional area are GENER/OL® (Generation/On-Line), an interactive on-line application development system for CICS and TELON™, an application development productivity system for IMS/DC and CICS.

 - GENER/OL consists of a number of EDITOR/COMPILERS providing the facilities for creation of any on-line transaction or query under CICS. Supplementary system applications aid in program and screen develop-

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ment and graphing. This system is priced at $35,000 for DOS and $49,000 for OS.

- TELON, designed for IMS/DC and CICS environments, is comprised of three integrated software components. The TELON Design Facility (TDF) component provides interactive and rapid screen designs. The Application System Generator uses design statements from TDF to generate COBOL or PL/I code. The Modeling and Testing Facility provides interactive test and debugging capabilities. The enhanced version, Telon 1.3, includes a batch report facility and sells for $115,000 for IMS and $80,000 for CICS.

- During fiscal 1984 Pansophic implemented an OEM marketing strategy targeted at suppliers of IBM mainframe application software products and completed OEM sales or joint marketing agreements with nine software vendors. In fiscal 1985 an additional 14 agreements were completed. Software vendors offering Pansophic's system software products include Amer-Cal, Inc., Canton Automated Systems, Inc., Computer Partners, Inc., Global Software, Policy Management Systems, and Technicon Data Systems.

- In July 1985 Pansophic entered a joint marketing and financial agreement with Schonfeld & Associates, Inc., Evanston (IL) whereby Pansophic will invest over $1 million in the company and expand the marketing of INGOT, Schonfeld's decision support software system. In return Pansophic has received an option to acquire certain assets of Schonfeld & Associates, including the INGOT software package.

- Pansophic offers its software through both prepaid perpetual license and full payout lease agreements. Full payout leases spread the cost of a perpetual license over a two- to five-year period on fixed monthly payments. Software is licensed to specific computer installations.

 - Computer support includes product enhancements and maintenance updates.

 - One year of customer support is included in perpetual license agreements. Customer support is included for the term of full payout leases. Thereafter, Pansophic provides optional customer support at prices ranging from 12% to 16% of the current price of the perpetual license for each year of support.

INDUSTRY MARKETS

- Pansophic products are not industry specific. Its customers represent industrial, insurance, retail, and transportation companies, commercial banks, utilities, health care and educational institutions, and federal, state, and local governments.

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GEOGRAPHIC MARKETS

- Approximately 75% of Pansophic's fiscal 1985 revenue was derived from U.S. customers and 25% from foreign sources.
- U.S. sales offices are located in Roswell (GA), Burlingame and El Segundo (CA), Aurora (CO), Irving and Houston (TX), McLean (VA), Lexington and Quincy (MA), Oak Brook (IL), Saddlebrook (NJ), Wayne (PA), and Raleigh (NC).
- Pansophic's technical support personnel and computer center are located in Naperville (IL). Product development personnel are located in Naperville, Quincy (MA), Clearwater (FL), Roswell (GA), and Salt Lake City.
- Foreign subsidiaries are located as follows:
 - Pansophic Systems of Canada, Ltd. has offices in Calgary (Alberta), Mississauga (Ontario), and Montreal (Quebec).
 - Pansophic Systems Australasia Pty., Ltd. has offices in North Sydney and Melbourne.
 - Pansophic Systems Europe, Inc. has offices in Belgium, France, the Netherlands, the United Kingdom, and West Germany.
 - Pansophic Systems Pan-America, Inc. has offices in Rio De Janeiro and Sao Paulo, Brazil.
- International representatives are located in Argentina, Venezuela, Mexico, Sweden, Spain, Switzerland, Italy, Greece, Israel, South Africa, Hong Kong, Singapore, Taiwan, Japan, the Philippines, Norway, Indonesia, Malaysia, France, and the Netherlands.

COMPUTER HARDWARE AND SOFTWARE

- Pansophic has an IBM 3083-E installed at its Naperville data center for in-house processing and product research and development.

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FINANCIAL UPDATE TO HIGHLIGHT DATED OCTOBER 1983

PANSOPHIC SYSTEMS, INCORPORATED
709 Enterprise Drive
Oak Brook, IL 60521
(312) 986-6000

Joseph A. Piscopo, Chairman and CEO
David J. Eskra, President and COO
Public Corporation, OTC
Total Employees: 450
Total Revenue, Fiscal Year End
4/30/84: $53,117,542

PANSOPHIC SYSTEMS, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	4/84	4/83	4/82	4/81	4/80
Revenue	$53,118	$43,062	$35,522	$30,155	$23,219
. Percent increase from previous year	23%	21%	18%	29%	39%
Income before taxes	$12,735	$ 9,577	$ 7,959	$ 4,007	$ 2,734
. Percent increase from previous year	33%	20%	99%	47%	26%
Net income	$ 8,328	$ 5,778	$ 4,629	$ 2,475	$ 1,537
. Percent increase from previous year	44%	25%	87%	61%	16%
Earnings per share	$ 1.01	$ 0.80	$ 0.66	$ 0.44	$ 0.29
. Percent increase from previous year	26%	21%	50%	52%	16%

- In January 1984 Pansophic introduced EASYTRIEVE® PLUS, a technological successor to EASYTRIEVE® and PRO/grammar™. This software system offers information retrieval, data analysis, a query and application language, and on-line development capabilities under CMS, TSO, or CICS.

 - EASYTRIEVE® PLUS has been offered to existing EASYTRIEVE® users as part of their annual maintenance. The product is also offered with an on-line option EZ/KEY™, a syntax-directed editor, which Pansophic developed internally and released in January 1984.

- In April 1984 Pansophic acquired VMLIB™, a source library system for the CMS environment, from VM software, Inc. of Vienna (VA) for $2,200,000.

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- Scheduled to be released later this year as an enhancement to (or integrated with) PANVALET VM, VMLIB[T.M.] will provide control of source code accessed by multiple users and tracking of changes made to that source code. VMLIB[T.M.] will also create audit files of all activity on source members.

SOURCE OF REVENUE

- Ninety-eight percent of Pansophic's fiscal 1983 revenue was derived from systems software product license and support fees. The remaining 2% was derived from finance charges. A three-year summary of source of revenue follows ($ thousands):

FISCAL YEAR / ITEM	4/84		4/83		4/82	
	Revenue	Percent of Total	Revenue	Percent of Total	Revenue	Percent of Total
Product and license fee	$33,153	62%	$29,352	68%	$24,997	70%
Customer support fees	18,946 (a)	36	12,825	30	9,671	27
Earned finance charges	1,019	2	885	2	854	3
Total	$53,118	100%	$43,062	100%	$35,522	100%

(a) Includes approximately $4 million in long-term support agreements.

- Approximately 49% of product and license fees were derived from Pansophic's Information Retrieval products, about 38% from Library Control System products, and 13% from the On-Line Application Development products (GENER/OL[T.M.] and MIS/OL[T.M.]).

- Approximately 72% of fiscal 1984 revenue was derived from U.S. customers and 28% from foreign sources.

 - Domestic revenue was up 27%, primarily due to expansion of the U.S. sales force, revenue from long-term customer support agreements and, to a lesser extent, price increases.

 - International revenue increased 14% from $12.9 million in fiscal 1983 to $14.7 million in fiscal 1984. The increase was mainly from European operations.

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COMPANY HIGHLIGHT

PANSOPHIC SYSTEMS, INC.
709 Enterprise Drive
Oak Brook, IL 60521
(312) 986-6000

Joseph A. Piscopo, Chairman and CEO
David J. Eskra, President
Public Corporation, OTC
Total Employees: 404
Total Revenue, Fiscal Year End 4/30/83: $43,061,890

THE COMPANY

- Pansophic Systems, Inc., founded in 1969, develops, markets, and supports systems software products, including applications development, information retrieval, data center management, and library control packages.

- Fiscal 1983 revenue reached $43.1 million, a 21% increase over fiscal 1982 revenue of $35.5 million. Net income rose 25% from $4.6 million in fiscal 1982 to $5.8 million in fiscal 1983. A five-year financial summary follows:

PANSOPHIC SYSTEMS, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	4/83	4/82	4/81	4/80	4/79
Revenue	$43,062	$35,522	$30,155	$23,219	$16,705
. Percent increase from previous year	21%	18%	29%	39%	52%
Income before taxes	$ 9,577	$ 7,959	$ 4,007	$ 2,734	$ 2,168
. Percent increase from previous year	20%	99%	47%	26%	38%
Net income	$ 5,778	$ 4,629	$ 2,475	$ 1,537	$ 1,321
. Percent increase from previous year	25%	87%	61%	16%	42%
Earnings per share	$ 0.80	$ 0.66	$ 0.44	$ 0.29	$ 0.25
. Percent increase from previous year	21%	50%	52%	16%	39%

- Pansophic management attributes fiscal 1983 revenue growth to a 35% increase in domestic revenue resulting from a 20% expansion in the domestic sales force, the introduction of three new software products, and general price increases.

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- International revenue was 30% of total revenue in fiscal 1983, compared to 37% in 1982 and 41% in 1981.

 . The decline in international revenue as a percentage of total revenue for the last two fiscal years was the result of the continued impact of the strong U.S. dollar compared to foreign currencies, prolonged recessionary climates in many countries, greater market resistance to general price increases, the lag period required to prepare new products for introduction in international markets, and an 11% reduction in the European direct sales force in 1983.

- Product development expenditures were $4.5 million (11% of revenue) in fiscal 1983, as compared to $3.8 million (11% of revenue) in fiscal 1982, and $3 million (10% of revenue) in fiscal 1981.

- Revenue for the three months ending July 31, 1983, reached $10.6 million, a 24% increase over $8.5 million for the same period in 1982. Net income for the period rose 43%, from $632,946 in 1982 to $904,295 in 1983.

- In July 1983 Pansophic made a public offering of 1,375,000 shares of common stock. Net proceeds of $30.3 million will be used for possible acquisition of software products or companies and for general expansion purposes.

- During fiscal 1983 Pansophic purchased three software products for an aggregate cost of $5.2 million, plus an amount not to exceed $1.8 million contingent on sales volume of one of the products over the next five years. The newly acquired products contributed 11% ($4.6 million) to fiscal 1983 revenue.

 - MIS/OL$^{T.M.}$ (formerly marketed as Central Software), acquired from Planning Research Corporation in June 1982, is an on-line applications development product designed for use with COBOL in the IBM CICS environment.

 - O-W-L$^{T.M.}$, acquired from NCI, Inc. of Atlanta in September 1982, is an on-line source program development and maintenance product.

 - GENER/OL$^{T.M.}$ (formerly marketed as SGT), acquired in February 1983 from Software Generation Technology Corporation of Salt Lake City, is an on-line CICS program development tool.

- As of April 30, 1983, Pansophic had 404 employees, segmented as follows:

Marketing/sales	280
Product development and technical support	94
Management, administration, and finance	30
	404

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KEY PRODUCTS AND SERVICES

- Ninety-eight percent of Pansophic's fiscal 1983 revenue was derived from systems software product license and support fees. The remaining 2% was derived from finance charges. A three-year summary of source of revenue follows ($ thousands):

FISCAL YEAR / ITEM	4/83		4/82		4/81	
	Revenue	Percent of Total	Revenue	Percent of Total	Revenue	Percent of Total
Product and license fees	$ 29,352	68%	$ 24,997	70%	$ 20,903	69%
Customer support fees	12,825	30	9,671	27	8,636	29
Earned finance charges	885	2	854	3	616	2
Total	$ 43,062	100%	$ 35,522	100%	$ 30,155	100%

- Pansophic offers systems software products for IBM and compatible mainframes, with certain products also available for use on Univac, Siemens, Hitachi, and Fujitsu Computers.
 - The products are offered for use in all standard IBM operating environments.
 - Over 20,000 products and options have been licensed to over 6,900 users in 56 countries.
 - Products are grouped by Pansophic into the following functional areas:
 - Information Retrieval.
 - Library Control Systems.
 - On-Line Application Development.
 - A listing of Pansophic's software products is provided in the exhibit.
- PANVALET, a program management and control system, and EASYTRIEVE, an information retrieval system, are the largest revenue contributors, together accounting for 63% of fiscal 1983 revenue, 79% of fiscal 1982 revenue, and 80% of fiscal 1981 revenue.
- Pansophic recently acquired two new on-line applications development software products, MIS/OL and GENER/OL, which together accounted for approximately 7% ($3 million) of fiscal 1983 revenue.
 - MIS/OL (Management Information Systems/On-Line) is used to improve the productivity and efficiency of on-line COBOL applications programming in the CICS communications environment.

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EXHIBIT

PANSOPHIC SOFTWARE PRODUCTS

PRODUCT	DESCRIPTION	YEAR INTRODUCED	NUMBER INSTALLED	CPU REQUIREMENTS (Operating System)
Information Retrieval				
• EASYTRIEVE®	Information retrieval and data management system.	1973	9,500+	IBM 360/370, 30XX, 43XX, and compatible (all operating systems); Univac 90/60, 80, 70; Siemens; Fujitsu FACOM; Hitachi.
• PRO/grammar T.M.	Advanced reporting and applications development productivity aid.	1982	200+	IBM 360/370, 30XX, 43XX, and compatible (all operating systems).
• PANAUDIT T.M.	Financial and EDP auditing system to test and report on data stored in computer files.	1979	600+	IBM 360/370, 30XX, 43XX (all operating systems); Univac 90/VS9; Siemens BS-1000/BS-2000; Fujitsu FACOM; Hitachi.
Library Control				
• PANVALET®	Source program management and control system, establishing a central direct access library of all source and object programs, job control cards, and data.	1970	7,700+	IBM 360/370, 30XX, 43XX, and compatible (DOS, OS, DOS/VS, VSI, VS2-ALC, VM).
• PANEXEC®	Program management and control system operating in the executable program library.	1977	500+	IBM 360/370, 30XX, 43XX, and compatible (all operating systems).
• O-W-L T.M.	On-line source program development and maintenance tool.	1982	700+	IBM 360/370, 30XX, 43XX, and compatible (any VS or MVS operating system).
• Library Control System T.M.	Integrated package combining O-W-L, PANVALET, and PANEXEC functions.	1980	N/A	IBM 360/370, 30XX, 43XX, and compatible (all operating systems).
On-line Application Development				
• MIS/OL T.M.	Applications development tool for COBOL programming in CICS environment.	1982	200+	IBM 370/115 or larger, including 303X, 43XX, and compatible (DOS, OS).
• GENER/OL T.M.	Applications development tool with editor/compiler, on-line training support, and graphics.	1983	NEW	IBM 360/370, 30XX, 43XX, and compatible (DOS, OS).

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- GENER/OL (Generation/On-Line), formerly marketed as SGT and planned for reintroduction this year, uses English-like programming capabilities to enable programmers to create, test, and run programs interactively in the CICS environment. Other features include an editor/compiler, on-line training aids and tutorials, and seven-color graphics support.

- Pansophic has introduced and/or enhanced several products over the last two years, as follows:

 - O-W-L (On-Line Without Limits), acquired in September 1982, is an on-line source program development and maintenance tool featuring multilevel security and storage environments of source program libraries. It supports concurrent on-line and batch functions and integrates aids, prompts, and text-editing facilities.

 . In 1983 O-W-L was integrated with PANVALET.

 - PRO/grammar™, introduced in February 1982, is an advanced reporting and applications development product developed by Pansophic.

- In July 1983 Pansophic announced an agreement with Policy Management Systems Corporation (PMSC) for the marketing of Pansophic software products by the PMSC sales force to PMSC's applications software product customer base of 300 property and casualty insurance firms. The estimated value of the contract to Pansophic for calendar 1983 is $1.2 million.

- Pansophic offers its software through both prepaid perpetual license and full payout lease agreements. Full payout leases spread the cost of a perpetual license over a two- to five-year period on fixed monthly payments. Software is licensed to specific computer installations.

 - Computer support includes product enhancements and maintenance updates.

 - One year of customer support is included in perpetual license agreements. Customer support is included for the term of full payout leases.

 - Thereafter, Pansophic provides optional customer support at prices ranging from 12% to 16% of the current price of the perpetual license for each year of support.

INDUSTRY MARKETS

- Pansophic products are not industry specific. Its customers represent industrial, insurance, retail, and transportation companies, commercial banks, utilities, health care and educational institutions, and federal, state, and local governments.

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GEOGRAPHIC MARKETS

- Approximately 70% of Pansophic's fiscal 1983 revenue was derived from U.S. customers and 30% from foreign sources.

- A three-year summary of Pansophic's source of revenue follows ($ thousands):

	U.S.	Europe	Other
Fiscal 1983			
. Revenue	$33,072(a)	$5,271	$4,720
. Operating profit (loss)	16,039	(94)	74
Fiscal 1982			
. Revenue	24,965(a)	6,202	4,355
. Operating profit	13,192	631	139
Fiscal 1981			
. Revenue	20,217(a)	6,141	3,796
. Operating profit (loss)	10,337	(352)	(210)

(a) Included in the U.S. revenue for fiscal 1983, 1982, and 1981 were $2,955,628, $2,651,371, and $2,298,821, respectively, for export sales to unaffiliated customers.

- U.S. branch offices are located in Atlanta, Burlingame (CA), Clearwater (FL), Clifton (NJ), Dallas, Denver, El Segundo (CA), McLean (VA), North Billerica (MA), Overland Park (KS), Pittsford (NY), Reston (VA), Salt Lake City, Seattle, and Wayne (PA).

- Pansophic's product development and technical support personnel and computer center are located in Naperville (IL).

- Foreign subsidiaries are located as follows:

 - Pansophic Systems of Canada, Ltd. has offices in Calgary, Alberta, and Mississauga, Ontario.

 - Pansophic Systems Australasia Pty., Ltd. has offices in Sydney and Melbourne.

 - Pansophic Systems Europe, Inc. has offices in Belgium, France, the Netherlands, the United Kingdom, and West Germany.

 - Pansophic Systems Pan-America, Inc. has offices in Rio De Janeiro and Sao Paulo, Brazil.

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- International representatives are located in Argentina, Venezuela, Mexico, Ireland, Sweden, Spain, Switzerland, Italy, Greece, Israel, South Africa, Hong Kong, Singapore, Taiwan, Japan, and the Philippines.

COMPUTER HARDWARE AND SOFTWARE

- Pansophic has an IBM 3083-E installed at its Naperville data center for in-house processing and product research and development.

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COMPANY HIGHLIGHT

PANSOPHIC SYSTEMS, INC.
709 Enterprise Drive
Oakbrook, IL 60521
(312) 986-6000

Joseph A. Piscopo, Chairman of the Board
Public Corporation, OTC
Total Employees: 305
Total Revenue, Fiscal Year End 4/30/81: $30,154,804

PRINCIPAL BUSINESS

- Pansophic Systems, Inc., founded in 1969, develops, markets, and supports standardized systems and applications software products worldwide.
- In June 1981, Pansophic filed a registration statement with the Securities and Exchange Commission intending to offer for sale 1,165,000 shares of common stock. On August 5, 1981, this registration was approved by the SEC and public trading of Pansophic stock commenced.
 - Pansophic will use $6.8 million of the proceeds to repay a bank loan incurred in 1979 for the purchase of EASYTRIEVE, which Pansophic has exclusively marketed since 1973.

FINANCIALS ($ thousands, except per share data)

	4/81	4/80	4/79	4/78	4/77
Total revenue	$30,155	$23,219	$16,705	$10,998	$ 7,128
. Percent increase from previous year	29%	39%	52%	54%	N/A
Income before taxes	4,007	2,734	2,168	1,576	1,447
. Percent increase from previous year	47%	26%	38%	9%	N/A
Net income	2,475	1,537	1,321	932	797
. Percent increase from previous year	61%	16%	42%	17%	N/A
Earnings per share	$ 0.44	$ 0.29	$ 0.25	$ 0.18	$ 0.16
. Percent increase from previous year	52%	16%	39%	13%	N/A

- Pansophic spent $2.7 million, $2.1 million, and $1.3 million in 1981, 1980, and 1979, respectively, on product development.

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SOURCES OF REVENUE

100% Software products.

- Pansophic revenue by type over the last three years has been:

	4/81		4/80		4/79	
	$ Thousands	Percent of Total	$ Thousands	Percent of Total	$ Thousands	Percent of Total
Product and license fees	$ 20,903	69%	$17,625	76%	$12,986	78%
Customer support fees	8,636	29	5,188	22	3,531	21
Earned finance charges	616	2	406	2	187	1
Total	$ 30,155	100%	$23,219	100%	$16,704	100%

EMPLOYEES

- As of April 1981, Pansophic employed:

- Marketing and sales	203
- Product development	75
- General and administrative	27
	305

PRODUCTS AND SERVICES

- Pansophic offers five standardized system and two packaged application software products for IBM and plug-compatible mainframes, as shown in the exhibit. Over 12,000 products and options have been licensed to over 5,000 customers in 45 countries. Products are grouped into the following functional areas:

 - Program Library Control.
 - Information Retrieval.
 - Applications Software.

- PANVALET, a program management and control system, and EASYTRIEVE, an information retrieval system, are by far the largest revenue contributors, together accounting for approximately 85% of the total in each of the last two fiscal years.

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EXHIBIT

PANSOPHIC SOFTWARE PRODUCTS

PRODUCT	DESCRIPTION	YEAR INTRODUCED	NUMBER INSTALLED	PERPETUAL LICENSE FEE (dollars)	CPU REQUIREMENTS
Program Library Control					
• PANVALET®	Source program management and control system, establishing a central direct access library of all source and object programs, job control cards, and data.	1970	5,800	$ 5,980-15,980	IBM 360/370, 30XX, 43XX and plug compatible (DOS, OS, DOS/VS, VSI, VS2-ALC)
• PANVALET/ On-line®	Works with CICS to provide text editing and on-line programming capability.	1979	500	—	IBM 360/370, 30XX, 43XX and plug compatible (all operating systems)
• PANEXEC®	Program management and control system operating in the executable program library.	1977	240	12,500-19,500	IBM 360/370, 30XX, 43XX and plug compatible (all operating systems)
• Library Control System™	Integrated package combining PANVALET and PANEXEC® functions.	1980	NEW	19,900-32,000	IBM 360/370, 30XX, 43XX and plug compatible (all operating systems)
Information Retrieval					
• EASYTRIEVE	Information retrieval and data management system.	1973	5,600	14,500-41,900	IBM 360/370, 30XX, 43XX and plug compatible (all operating systems); Univac 90/60, 80, 70; Siemens; Fujitsu Facom; Hitachi
Applications Software					
• PANAUDIT™	Financial and EDP auditing system to test and report on data stored in computer files.	1979	170	19,900-29,900	IBM 360/370, 30XX, 43XX (all operating systems); Univac 90/VS9; Siemens BS-1000/BS-2000 Fujitsu Facom, Hitachi
• PANRISK™	Risk management system for assessing financial risks associated with the failure or destruction of computer installations.	1981	NEW	22,500	

August 1981
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- Pansophic introduced two new products and upgraded one other over the last two years.
 - Pansophic introduced PANRISK™ in January 1981 after obtaining exclusive worldwide marketing rights to it in 1980.
 - Pansophic developed the Library Control System™ in 1980, giving users the option of having both PANVALET and PANEXEC integrated into one package at much lower costs than licensing each package individually.
 - Pansophic expanded EASYTRIEVE and PANAUDIT in 1980 to operate on UNIVAC, Siemens, Fujitsu FACOM, and Hitachi machines.
- Pansophic offers its software through both prepaid perpetual license and full payout lease agreements. Full payout leases spread the cost of a perpetual license over a two- to five-year period on fixed monthly payments. Software is licensed to specific computer installations.
 - Customer support includes product enhancements and maintenance updates.
 - One year of customer support is included in perpetual license agreements. Customer support is included for the term of full payout leases.
 - Thereafter, Pansophic provides optional customer support at prices which range from 12% to 20% of the current price of the perpetual lease for each year of support.

INDUSTRY MARKETS

- Pansophic products are not industry specific. Its customers represent:
 - 28 of the Fortune 50 largest U.S. industrial corporations.
 - 30 of the Fortune 50 largest U.S. commercial banks.
 - 31 of the Fortune 50 largest U.S. life insurance companies.
 - 27 of the Fortune 50 largest U.S. retailing companies.
- In addition, Pansophic products are licensed to transportation companies, utilities, health care and educational institutions, and federal, state, and local governments.

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GEOGRAPHIC MARKETS ($ thousands)

	U.S.	Europe	Other
Fiscal 1981			
. Revenue	$23,656*	$ 6,141	$ 3,796
. Operating profit (loss)	10,337	(352)	(210)
Fiscal 1980			
. Revenue	18,077*	4,711	2,629
. Operating profit (loss)	7,541	(1,028)	(16)
Fiscal 1979			
. Revenue	13,257*	3,613	1,926
. Operating profit (loss)	4,149	(331)	141

* Includes 1981, 1980, and 1979 revenue of $2,298,821, $1,597,884, and $1,143,105, respectively, of export sales to unaffiliated customers.

- Branch offices in the U.S. are located in the following cities: Atlanta, Boston, Cleveland, Columbus, Dallas, Los Angeles, New York, Philadelphia, Reston (VA), Rochester (NY), San Francisco, Seattle, Toronto, and McLean (VA).

- Pansophic has subsidiaries for each foreign country in which it operates.

 - Pansophic Systems, U.K. Ltd. with offices in London and Manchester.
 - Pansophic Systems Europe, Inc. with an office in Holland.
 - Pansophic Systems, GmbH with offices in Neuss, Darmstadt, Hamburg, and Munich.
 - Pansophic Systems France S.a.r.l. with an office in Paris.
 - Pansophic Sistemas de Computadores, Ltd. with offices in Rio de Janeiro and Sao Paulo.
 - Pansophic Systems Australasia Pty. Ltd. with offices in North Sydney and Bayswater.

- Representatives are located in South America, Asia, Africa, and the Middle East.

COMPUTER HARDWARE

- Pansophic's Oakbrook data center, used for in-house processing and research and development, operates an IBM 370/158.

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cc: Mrs. Rosemary Anderson
Secretary to the President

COMPANY HIGHLIGHT

PANSOPHIC SYSTEMS, INC.
709 Enterprise Drive
Oak Brook, IL 60521
(312) 986-6000

Joseph A. Piscopo, President
Private corporation
Total employees: 215
Total revenues fiscal year end
4/30/78: $10,400,000

THE COMPANY

- Pansophic Systems, Inc. was incorporated in Illinois in 1969 as a packaged software vendor. The company has developed and now markets, maintains, and enhances four proprietary software packages.
 - Pansophic had revenues of $10.4 million for fiscal 1978 compared to $7.1 million for fiscal 1977, an increase of 45%.
 - Revenues increased 42% between fiscal 1976 and fiscal 1977 from $5.0 million to $7.1 million.
 - Software product sales generate approximately 98% of total sales. The remaining revenues are derived from materials, supplies and training. International sales represent approximately 36% of total sales annually.
- A technical support staff of 54 people is primarily used for software support. New customers are primarily acquired by referral.

KEY PRODUCTS AND SERVICES

- All Pansophic revenues derive from the sale of four systems software products for IBM System/360 and System/370 computers.
 - PANVALET is a library program management and security system with more than 3,300 installations. It has been on the Datapro Honor Roll for five consecutive years.
 - EASYTRIEVE is an information retrieval and data management system to which Pansophic obtained exclusive worldwide marketing rights in 1973. Since then, the number of installations has grown from 125 to today's 1,650. It achieved Datapro honor roll status in 1977 for the third time.
 - PANEXEC is the first and only system ever built to fully protect and control programs in the Executable Program Library, according to management. The product addresses three basic areas of concern: management control, hardware efficiency, back-up, and protection of operational programs. It was introduced in 1978.
 - PAN*DA is a disk analysis and data set management system introduced in 1974. Today there are over 250 installations.

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- PANVALET is composed of six modules (Pan #1,2,4,6,7,8). Pan #1 is used by programmers; all other Pan modules are used by supervisory and management personnel. This helps ensure that programs are not inadvertently or deliberately destroyed. PANVALET works with English commands and provides a variety of management reports (directory listing, cross-reference, status and activity, analysis and scan/replace). It offers three levels of security access control. The six modules are:

 - The Programmer's Program, for adding, updating, and editing source programs.
 - The Management Program, for basic library management including library backup, protection files, directory reports, and historical files.
 - The Analysis Program, for analyzing library composition and utilization by type, status, and type and user code.
 - The Cross Reference Program.
 - The Scan/Replace Program.
 - Panvalet also has optional interfaces with TSO, CMS, and an editor that functions under the control of CICS (PANVALET ON-LINE).

- EASYTRIEVE is an information retrieval and report generating system designed for data processing novices and experts. It is used for information retrieval, file maintenance, and correspondence management. It handles sequential, indexed sequential, and VSAM files in addition to files under Cincom's TOTAL, IBM's IMS or DL/1, and Cullinane's IDMS. It uses English-type commands and is self-documenting in file maintenance routines.

 - EASYTRIEVE supports all IBM System/360 and System/370, Amdahl and Facom M-Series, Univac Series 70, and Siemens computers running under BS-1000 and BS-2000 operating systems.
 - The perpetual license fee is $12,500 for DOS and $15,000 for OS. The fee includes first year maintenance, one-day training, and two sets of documentaiton. Maintenance cost is 10% of the current price of the product.

- PANEXEC provides a complete management reporting system consisting of over 150 fields of information to provide DP management with information about any creation, change, or status of any program in the OS or DOS executable program. Special Source Cross-Reference reports source, object, and executable programs together, giving dates and times of last maintenance and modification level numbers. Executable libraries under PANEXEC are compressed for efficient space utilization and never require reorganization, according to management.

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- System utilities circumvent operating system utilities with a new linkage editor, single-step-initiation that makes compile-link-and-go one step, and a transparent loader that eliminates the need to put JCL and job instructions on every execution of a production program.
- PANEXEC provides up to five levels of access codes to be placed on any single library member. An additional security control code will lock up protected members if any attempt is made to violate access codes.
- In addition, programmers have full power to maintain test programs, but only management can authorize production program changes or deletes. Then all deleted modules are maintained in a historical protection file. In PANEXEC, once a program is given PRODUCTION status, it can never be modified.

- PAN*DA allocates and controls direct access storage devices (IBM 2311, 2314, 3330, 3330-11, 3350, 2305, or equivalent). PAN*DA will run on IBM System/360 and System/370 computers (with a minimum of 84K bytes) under OS or VS. According to Datapro, it offers the user:
 - Eight report types.
 - Automatic scratching and uncataloging of data sets.
 - Automatic PDS compression and release of unused sequential data set space.
 - Analysis of PDS and indexed sequential files.
 - A user exit at sort and report time.
 - An optional VSAM reporting capability.
 - Complete statistics for each VSAM component.

APPLICATIONS Pansophic offers only systems software.

INDUSTRY MARKETS Although Pansophic software is equipment rather than industry-dependent, manufacturers produced the majority of revenues in fiscal 1978 as shown below:

Manufacturing	34%
Banking and finance	11
Insurance	9
Government	8
Distribution	8
Utilities	4
Education	3
Transportation	2
Medical and hospital	1
Other	20
	100%

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GEOGRAPHIC MARKETS

- The Eastern portions of the U.S. produced the majority of domestic revenues in fiscal 1978 as shown below (numbers are approximate):

Total U.S.		68%
New England	4	
Northeast	11	
Southeast/South Central	15	
North Central	20	
Midwest	5	
Mountain	3	
Pacific Coast	10	
International		32%
		100%

- Corporate headquarters are in Oak Brook, Illinois (Chicago). Branch offices are located in Atlanta, Georgia; Boston, Massachusetts; Clifton, New Jersey; Dallas, Texas; McLean, Virginia; Rochester, New York; and San Francisco and El Segundo, California.

- Subsidiaries are located in Mississauga, Ontario; Sao Paulo and Rio de Janeiro, Brazil; Sydney, New South Wales, Australia; London and Manchester, England; Paris, France; Isselstein, Holland; and Duesseldorf, West Germany.

- Representatives are located in Tokyo, Japan; Singapore, Malaysia; Manila, The Philippines; Haifa, Israel; Johannesburg, South Africa; Athens, Greece; Madrid, Spain; Milan, Italy; and Stockholm, Sweden.

COMPUTER HARDWARE AND SOFTWARE

- Pansophic has an in-house corporate data center to handle its internal corporate requirements, support the research and development of new products, and service the 5,000 current product users. The data center has:

 - One IBM System/370 Model 148 CPU with 2,048K memory and six double density 3330 Mod 11 discs.
 - One in-house Harris COPE 1600 terminal.

- In-house software systems used include SVS, DOS/VS, MVS, TSO, and IMS; management expects to install VM/370 within six months.

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COMPANY HIGHLIGHT

PANSOPHIC SYSTEMS, INC.
709 Enterprise Drive
Oak Brook, Illinois 60521
(312) 986-6000

Joseph A. Piscopo, President
Private corporation
Total employees: 130
Total revenues, fiscal year end 4/30/77: $7,125,000

THE COMPANY

- Pansophic Systems, Inc. was incorporated in Illinois in 1969 as a packaged software vendor. The company has developed and now markets, maintains, and enhances three proprietary software packages.

- Pansophic has had a very rapid growth in both revenues and net earnings.

 - Revenues grew 42% between FY 1976 and FY 1977 from $5.0 million to $7.1 million. Net earnings during the same period increased 283% from $330,900 to $1.3 million.
 - Management projects that revenues will again increase 42% between FY 1977 and FY 1978, from $7.1 million to $10.1 million. Net earnings are expected to show a slightly lower but still spectacular growth of 105% from $1.3 million to $2.6 million.
 - Because of this extremely rapid growth in profitability, net earnings have grown from 6.6% of total revenues in 1976 to a projected 25.6% in 1978.
 - Computer services sales are approximately 98% of total sales. The remaining revenues are derived from materials, supplies, and training. International sales represent approximately 30% of total sales annually.

- The sales and support staff of 35 people is primarily used for software support. New customers are primarily acquired by referral.

KEY PRODUCTS AND SERVICES

- All Pansophic revenues derive from the sale of three systems software products for IBM System/360 and 370 computers.

 - PANVALET is a very successful library program management and security system with more than 3000 installations. A CICS version of Panvalet was introduced in 1977. It has been on the Datapro Honor Roll for four consecutive years.

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- EASYTRIEVE is an information retrieval and data management system to which Pansophic gained marketing rights from author Ribek Corporation in 1973. Since then, the number of installations has grown from 125 to today's 1000 plus. It achieved Datapro honor roll status in 1976 for the second time.
- PAN*DA is a disk analysis and data set management system introduced in 1974. Today there are over 250 installations. It also is well regarded by its users.

- PANVALET is composed of 6 modules (numbered Pan #1, 2, 4, 6, 7, 8). Pan #1 is used by programmers; all other Pan modules are used by supervisory and management personnel. This helps ensure that programs are not inadvertently or deliberately destroyed. PANVALET works with English commands and provides a variety of management reports (directory listing, cross reference, status and activity, analysis, and scan/replace). It offers three levels of security access control. The six modules are:

 - The Programmer's Program, for adding, updating, and editing source programs.
 - The Management Program, for basic library management including library backup, protection files, directory reports, and historical files.
 - The Analysis Program, for analyzing library composition and utilization by type, status and type, and user code.
 - The Cross Reference Program.
 - The Scan/Replace Program.

- EASYTRIEVE is an information retrieval and report generating system designed for both data processing novices and experts. It is used for information retrieval, file maintenance, and correspondence management. It handles sequential, indexed sequential, and VSAM files in addition to files under Cincom's TOTAL and IBM's IMS or DL/1. It uses English-type commands and is self-documenting in file maintenance routines.

 - The systems run on all IBM System/360 and 370, Amdahl and Facom M-Series, Univac Series 70, and Siemens computers. Siemens mainframes must be running BS-1000 and BS-2000 operating systems.
 - The perpetual license fee is $12,500 for DOS and $15,000 for OS. The fee includes first year maintenance, one day training, and two sets of documentation. Subsequent maintenance costs $1,250 - $1,500 per year. TOTAL, IMS, and DL/1 options are $5,000 plus $300 per year for maintenance. Source code is not available.

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- PAN*DA allocates and controls direct access storage devices (IBM 2311, 2314, 3330, 3330-11, 3350, and 2305 or equivalent). According to Datapro, it offers the user:

 - Eight report types: Volume, User Group, Track Map, Data Set Dictionary, VTOC Dump, Model DSCB, Optimum Blocking Factor, and PDS directory listings in 12-up, 6-up, and DUMP formats.
 - Automatic scratching and uncataloging of data sets under user control.
 - Automatic PDS compression and automatic release of unused sequential data set space.
 - Automatic correction of Format 5 label errors.
 - Identification of password-protected data sets and duplicate named data sets.
 - Analysis of PDS and indexed sequential files and PDS dead tracks.
 - Analysis of Panvalet libraries.
 - Information about each data set, each volume, and each user; this information is complete and detailed.
 - Facilities for using data set naming standards.
 - A user exit at sort and report time.
 - An optional VSAM reporting capability that provides two VSAM report types: Dataspace and Element Reports.
 - Selective analysis of any data space or data set, with lists of tracks allocated, used, available, and percent of utilization for data spaces.
 - Complete statistics for each VSAM component.
 - PAN*DA will run on IBM System/360 and 370 computers (with a minimum of 84K bytes) under OS or OS/VS.
 - The perpetual license fee is $6,000 and includes first year maintenance, all enhancements and improvements, and two sets of manuals. PAN*DA VSAM costs an additional $5,000. Subsequent maintenance is additional.

APPLICATIONS Pansophic offers only systems software.

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INDUSTRY MARKETS Although Pansophic software is equipment rather than industry-dependent, manufacturers produced the majority of revenues in 1976 as shown below:

Manufacturing	34%
Banking and finance	11
Insurance	9
Government	8
Distribution	8
Utilities	4
Education	3
Transportation	2
Medical & hospital	1
Other	20
	100%

GEOGRAPHIC MARKETS

- The Eastern portions of the U.S. produced the majority of domestic revenues in 1976 as shown below (numbers are approximate):

Total U.S.		68%
New England	4	
Northeast	11	
Southeast/ South Central	15	
North Central	20	
Midwest	5	
Mountain	3	
Pacific Coast	10	
International		32%
		100%

- Corporate headquarters, Oak Brook, Illinois (Chicago). Branch offices are located in Dallas, TX; McLean, VA; San Francisco, CA; Irvine, CA; and Clark, NJ.

- Subsidiaries are located in Mississauga, Ontario; Sao Paulo, Brazil; Sydney, New South Wales, Australia; London, England; Paris, France; Utrecht, Holland; and Duesseldorf, West Germany.

- Representatives are located in Tokyo, Japan; Singapore, Malaysia; Manila, The Philippines; Haifa, Israel; Johannesburg, So. Africa; Madrid, Spain; Milan, Italy; and Stockholm, Sweden.

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COMPANY HIGHLIGHT/PANSOPHIC SYSTEMS, INC.

COMPUTER HARDWARE AND SOFTWARE Pansophic does not use any in-house computers in providing its products. An in-house Harris COPE 1600 terminal is linked to a remote computing vendor, using a 370/158. Pansophic has an IBM 3031 processor on order for delivery in late 1978.

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COMPANY HIGHLIGHT

PANSOPHIC SYSTEMS, INCORPORATED
709 Enterprise Drive
Oak Brook, Illinois 60521
(312) 986-6000

Joseph A. Piscopo, President
Private corporation
Total company and computer services sales as of FY ending 4/76: $5,000,000*

NUMBER OF EMPLOYEES engaged in computer services: 105

KEY PRODUCTS/SERVICES: Pansophic Systems markets solely software products. Major systems products include:

- EASYTRIEVE: a data retrieval and reporting package
- PANVALET: a program and management security system
- PANDA: a systems utility program for disk and data set analysis and management

APPLICATIONS: Products are systems-oriented and suited to business applications of all kinds.

INDUSTRY MARKETS: Virtually all industries are users of Pansophic products. Specific industries account for annual sales as follows:

Manufacturing	35%
Banking/finance	12%
Insurance	10%
Government	10%
Utilities	5%
Retail/Wholesale Distribution	5%
Transportation	2%
Other: N.E.C.	18%
Education	3%
Total	100%

GEOGRAPHIC MARKETS: U.S. sales account for 84% of Pansophic's total annual sales. As shown below, the North Central region represents the largest U.S. geographic market:

North Central	31%
Northeast	17%
Pacific states	13%
Southeast	10%
South Central	9%
Midwest	9%
West	6%
New England	5%
Total U.S.	100%

* Expected sales for FY 1976

COMPANY HIGHLIGHT/PANSOPHIC SYSTEMS, INCORPORATED

Branch offices are located in the following cities:

Newark, New Jersey	Dallas, Texas
Rochester, New York	Los Angeles, California
Boston, Massachusetts	San Francisco, California
Washington, District of Columbia	In Canada:
Atlanta, Georgia	Montreal, Quebec

COMPUTER HARDWARE AND SOFTWARE: Pansophic does not use in-house computers. A COPE 1200 (RJE) terminal ties the Company to a remote computing company.

OVERALL ASSESSMENT AND TRENDS: Pansophic is a young, very successful firm with some of the best selling software products on the market. This coupled with its good management should result in sales doubling in the next one to two years.

COMPANY BRIEF

Cross Industry: Systems Software

Paperback Software International
2830 9th Street
Berkeley, CA 94710
(415) 644-2116

CEO: Adam Osborne, President
Public, OTC
Founded: 1983

Employees: 35 (11/86), 20 (12/85)
Revenue (FYE 12/31/85): $1,000,000; (FYE 12/31/86): $3-4 million*

The Company: Paperback Software International provides application and systems software products for IBM and compatible microcomputers

Sources of Revenue:
- Systems Software
- Application Software

Key Products:
- Systems Software (Utilizes IBM PCs and compatible computers)
 - VP-INFO is a high-speed data base management system compatible with dBASE II and dBASE III. Features of the system include:
 - Built-in one-step compiler
 - Multi-user environment
 - Extended command language offering more power and control
 - Compatible with VP-PLANNER (described below)
 - VP-EXPERT is a rule-based expert system development tool with the following features:
 - Backward and forward chaining
 - Inductive front end
 - Text and graphic rule traces
 - Interfaces with VP-PLANNER and VP-INFO, and ASCII files

- Application Software (Utilizes IBM PCs and compatible computers)
 - VP-PLANNER is a spreadsheet package compatible with Lotus 1-2-3 release 1A. Users can read, write, update, and create VP-INFO, dBASE II, and dBASE III files directly from any VP-PLANNER worksheet.
 - Other Paperback software application products include:
 - Executive Writer, a word processing system
 - Paperback Writer, an economy version of Executive Writer
 - Paperback Speller, a spelling dictionary

*Company estimate

December 1986

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- Number Works, an electronic spreadsheet with virtual worksheet memory
- Draw It, a full-color drawing and graphing program
- Anthony Dias Blue Wines on Disk, an application of VP-EXPERT
- My ABCs, a children's learning program

Target Industries:
- Cross industry
- Targets mid-size and Fortune 1000 companies

Geographic Markets:
- U.S.
- Non-U.S.
- Sell through distributors and dealers

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

February 1996

Parametric Technology Corporation

Chairman & CEO: Steven C. Walske
128 Technology Drive
Waltham, MA 02154
Phone: (617) 398-5000
Fax: (617) 398-6000

Status:	Public
Employees:	1,960 (9/95)
Revenue:	$394,310,000
Fiscal Year End:	9/30/95

Key Points

- Parametric Technology Corporation supplies mechanical design automation software to the computer-aided design, manufacturing and engineering (CAD/CAM/CAE) industry. Its software tools for mechanical design, manufacturing and product data management are used to improve engineering processes, reduce time to market, and optimize product quality.
- In August 1995, in a pooling-of-interests merger, Parametric Technology acquired Rasna Corporation and its MECHANICA® software products. This addition complements Parametric Technology's existing family of integrated software technologies, and is intended to contribute substantially to the company's long-term growth potential.
- In April 1995, Parametric Technology purchased the Conceptual Design and Rendering System (CDRS) software business from Evans & Sutherland Computer Corporation. The acquisition added the Pro/CDRS™ product family to Parametric Technology's offerings.

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Company Description

Parametric Technology is an applications software firm that develops, markets and supports seven families of integrated software products that automate the design-through-manufacturing process for the mechanical CAD/CAM/CAE industry.

The company's product line currently consists of its core product, Pro/ENGINEER®, and 50 modules for use in conjunction with it.

- Pro/ENGINEER is based on a software architecture that integrates the different stages of mechanical design automation.
- Pro/ENGINEER's integrated modular design allows changes to be propagated automatically throughout all phases of the design and manufacturing process, enabling users to integrate multiple engineering activities.
- Pro/ENGINEER significantly shortens the product development life cycle by allowing products and their manufacturing processes to be developed concurrently. This results in lower costs and products with superior design.

The company's other product lines include Pro/ACCESS™, Pro/CDRS, Pro/MANUFACTURING®, Pro/MECHANICA, Pro/PDM® and Pro/JR™.

Organization and Structure

Headquartered in Waltham (MA), Parametric Technology has 140 offices in 26 countries worldwide.

Company Strategy

Parametric Technology's goal is to be the leading provider of mechanical design automation tools. The company's growth strategy emphasizes technological leadership, hardware independence, aggressive price/performance, worldwide distribution and extensive customer support.

In fiscal 1996, Parametric Technology intends to aggressively grow its business, invest in new technology, increase its sales and customer support organizations and expand its international presence.

The company plans to focus its ongoing product development efforts on additional products within the Pro/ENGINEER product family.

Financials

Parametric Technology's fiscal 1995 revenue reached $394.3 million, a 48% increase over fiscal 1994 revenue of $266.9 million. Net income rose 14%, from $68.1 million in fiscal 1994 to $77.4 million in fiscal 1995. Exclusive of acquisition-related charges, net income rose 45% to $98.5 million.

In the five-year financial summary that follows, figures prior to 1995 have been restated to reflect the pooling-of-interest acquisition of Rasna Corporation in August 1995. Results of CDRS are included as of its purchase date on April 12, 1995.

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Parametric Technology Corporation
Five-Year Financial Summary (a)
($ Millions, except per share data)

Item	Fiscal Year				
	9/95	9/94	9/93	9/92	9/91
Revenue	$394.3	$267.0	$179.3	$98.4	$49.4
• Percent change from previous year	48%	49%	82%	99%	N/A
Income before taxes	$127.6	$180.7	$68.9	N/A	N/A
• Percent change from previous year	(b) 17%	58%	N/A	N/A	N/A
Net income	$77.4	$68.1	$43.5	$21.0	$5.5
• Percent change from previous year	14%	57%	135%	279%	N/A
Earnings per share	$1.20	$1.09	$0.71	$0.35	$0.10
• Percent change from previous year	10%	54%	103%	250%	N/A

(a) Figures are restated to reflect the pooling-of-interest acquisition of Rasna Corporation on August 1, 1995.

(b) Includes acquisition and related costs of $29.4 million associated with the acquisitions of Rasna Corporation and CDRS.

Parametric Technology's management attributes revenue growth to the increase in seats of software licenses, as well as a slightly higher realized price per seat.

- During fiscal 1995, more than 15,900 seats of software were licensed, compared with 11,800 seats during fiscal 1994 and approximately 9,600 seats during fiscal 1993.
- The average price per seat in fiscal 1995 was approximately $18,100, compared to average prices of $17,500 and $15,000 in fiscal 1994 and 1993, respectively.

Research and development expenses were $25.6 million (6.5% of revenue) in fiscal 1995, compared to $19.9 million (7.5% of revenue) in fiscal 1994 and $14.6 million (8.2% of revenue) in fiscal 1993.

Revenue Analysis by Product/Service

Parametric Technology's license revenue reached $288.3 million in fiscal 1995, a 40% increase over fiscal 1994 license revenue of $206.3 million. Approximately 78% of license revenue for fiscal 1995 was from existing customer investments in additional software licenses.

Service revenue grew 74%, to $106.0 million during fiscal 1995, up from $60.7 million in fiscal 1994.

In the three-year source of revenue summary that follows, all figures are restated to reflect the merger with Rasna Corporation in fiscal 1995.

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Parametric Technology Corporation
Three-Year Source of Revenue Summary (a)
($ Millions)

	Fiscal Year					
	9/95		9/94		9/93	
Product/Service	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
Software licenses	$288.3	73%	$206.3	77%	$144.8	81%
Services	106.0	27%	60.7	23%	34.5	19%
Total	$394.3	100%	$267.0	100%	$179.3	100%

(a) Figures are restated to reflect the pooling-of-interest acquisition of Rasna Corporation on August 1, 1995.

Interim Results

Parametric Technology's revenue for the three months ending December 31, 1995 rose to $125.4 million, a 59% increase over revenue of $78.8 million for the same period in 1994. Net income reached $33.0 million, a 67% increase over net income of $19.8 million for the same period a year ago.

- The company attributes the rate of growth to its ability to add value to both new and existing customers in terms of helping them get their products to market faster, with higher quality and lower cost.

- Strong sales were reported in all key geographic areas during the first quarter of fiscal 1996. International revenue increased more than 80% over the same period a year ago and accounted for 53% of total revenue.

Market Financials

Parametric Technology derives 100% of its revenue from one industry segment—the mechanical segment of the CAD/CAM/CAE (computer-aided design, manufacturing and engineering) industry.

The company focuses its sales and marketing efforts primarily on the electronics, aerospace, automotive, consumer products and telecommunications industries.

Geographic Markets

Fiscal 1995 revenue from North America was $197.8 million (50% of total revenue), compared to $151.5 million (57% of revenue) in fiscal 1994 and $120.1 million (67% of revenue) in fiscal 1993.

European revenue reached $133.9 million (34% of total revenue) in fiscal 1995, compared to $83.2 million (31% of revenue) in fiscal 1994 and $43.1 million (24% of revenue) in fiscal 1993.

Revenue from the Far East in fiscal 1995 rose to $62.6 million (16% of total revenue), up from $32.3 million (12% of revenue) in fiscal 1994 and $16.1 million (9% of revenue) in fiscal 1993.

A three-year geographic source of revenue summary is shown on the following page.

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Parametric Technology Corporation
Three-Year Geographic Source of Revenue Summary
($ Millions)

	Fiscal Year					
	9/95		9/94		9/93	
Geographic Market	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
North America	$197.8	50%	$151.5	57%	$120.1	67%
Europe	133.9	34%	83.2	31%	43.1	24%
Far East	62.6	16%	32.3	12%	16.1	9%
Total	$394.3	100%	$267.0	100%	$179.3	100%

Acquisitions

In August 1995, Parametric Technology acquired San Jose (CA)-based Rasna Corporation, a developer and marketer of software products for mechanical computer-aided engineering.

- Parametric Technology issued approximately 3.8 million shares of common stock and reserved approximately 500,000 shares for outstanding Rasna stock options assumed. The merger was accounted for as a pooling of interests.
- With the acquisition, Parametric Technology acquired Rasna's MECHANICA software products, which have a feedback system that allows designers to analyze the function and performance of their designs on a real-time basis.
- This addition complements Parametric Technology's existing family of integrated software technologies and is expected to contribute substantially to the company's long-term growth potential.

In April 1995, Parametric Technology purchased the CDRS software business operated by the Design Software Division of Evans & Sutherland Computer Corporation for approximately $33.5 million in cash. This acquisition expanded the company's range of products with the addition of the Pro/CDRS family of 3D software tools.

Employees

As of September 30, 1995, Parametric Technology had 1,960 employees (1,151 in the U.S. and 809 internationally), segmented as follows:

Sales and marketing	1,098
Customer support, training and consulting	338
Product development	340
Management, finance and administration	184
	1,960

The company currently has 2,171 employees.

Key Products and Services

Software

Parametric Technology's product line currently consists of its core product, Pro/ENGINEER, first shipped in January 1988, and 50 modules for use in conjunction with it, depending on the individual needs of the customer.

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The Pro/ENGINEER product line runs on all major UNIX and Microsoft Windows NT and Windows 95 workstation platforms, and is hardware independent.

The modules are grouped in the following families:

Pro/ENGINEER is an associative suite of mechanical design automation software that includes application-specific products to address the spectrum of product development activities.

- Pro/ASSEMBLY™—for advanced design and management
- Pro/CABLING™ —for 3D cable harness design
- Pro/COMPOSITE™—automated composite design, manufacturing and documentation tools
- Pro/DETAIL™—production drawing tools
- Pro/DIAGRAM™—for electrical wiring diagram design
- Pro/DIEFACE™—facilitating the design of die contact surfaces
- Pro/ECAD™—for data exchange with ECAD systems
- Pro/FEATURE™—allows creation, duplication and management of advanced features
- Pro/FEM-POST™—provides graphic display of FEA results
- Pro/HARNESS-MFG™—enables harness manufacturing design and documentation
- Pro/MESH™—facilitates finite element modeling for analysis
- Pro/NOTEBOOK™—for top-down assembly design and management
- Pro/PIPING™—tools to generate and route pipes through 3D assemblies
- Pro/REPORT™—graphical formatting tools for displaying Pro/ENGINEER application data
- Pro/SCAN-TOOLS™—tools for manipulating scan data
- Pro/SURFACE™—advanced surface modeling for complex design
- Pro/WELDING™—for rapid generation of welding requirements

The Pro/ACCESS product family enables companies to make the transition to Pro/ENGINEER while maintaining and using the information created in other applications.

- Pro/CAT™—for data exchange between Pro/ENGINEER and CATIA
- Pro/CDT™—for data transfer from CADAM to Pro/ENGINEER
- Pro/DATA™ for PDGS®—allows direct data exchange between Pro/ENGINEER and PDGS
- Pro/DEVELOP™—the customization toolkit
- Pro/DRAW™—tools to transfer and maintain existing 2D drawing databases
- Pro/INTERFACE™—industry-standard data translators
- Pro/INTERFACE™for STEP—interface for the exchange of product-model data
- Pro/LEGACY™—to maintain existing databases

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- Pro/LIBRARYACCESS™—access to industry-standard library databases
- Pro/PLOT™—extends supported plotting platforms

Pro/CDRS (Conceptual Design and Rendering System) is a family of 3D software tools that enables developers to explore multiple concept models; it supports the integration of conceptual design into the overall design-through-manufacturing cycle.

- Pro/3DPAINT™—design conceptualization tools
- Pro/PERSPECTA-SKETCH™—advanced tools for generating 3D models from 2D sketches
- Pro/DESIGNER™ — advanced modeling tools for industrial design
- Pro/PHOTORENDER™—advanced rendering tools for industrial design
- Pro/ANIMATE™—advanced animation tools for industrial design

The Pro/MANUFACTURING family generates NC tool paths from CAD data, requiring no translation of data into the NC system. Additionally, the tool paths will automatically update with changes to the designer's model.

- Pro/CASTING™—rapid generation of casting tools and components
- Pro/MFG™—provides CNC programming and process definition
- Pro/MOLDESIGN™—rapid generation of mold components and assemblies
- Pro/NC-CHECK™—for graphical material removal simulation
- Pro/NCPOST™—manufacturing to NC machine integration
- Pro/SHEETMETAL™—for design-through-manufacturing integration for sheet metal

The Pro/MECHANICA product family of CAD tools enables engineers to model product functions in a single desktop environments, and to repeatedly analyze and optimize a product design throughout the development cycle.

- Pro/MECHANICA-STRUCTURE™—structural design optimization
- Pro/MECHANICA-THERMAL™—tools for thermal evaluation and optimization
- Pro/MECHANICA-VIBRATION™ allows structural evaluation for dynamic response
- Pro/MECHANICA-MOTION™—motion simulation for design optimization
- Pro/MECHANICA-TIRE MODEL™—simulations of real-life tire dynamics

The Pro/PDM family provides product data management for concurrent engineering.

- Pro/PDM™—product data management for parametric designs
- Pro/REVIEW™—allows easy access to Pro/ENGINEER objects for evaluation and markup

Pro/JR, released in January 1995, is the entry-level version of the Pro/ENGINEER family. It enables the design-through-documentation of both machined and common plastic parts and assemblies for customers migrating from 2D CAD to 3D solid modeling.

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Services

Parametric Technology complements its software products with customer support, education and consulting services.

Parametric Technology's Education Services Department provides its customers with lab oriented courses on how to apply the Pro/ENGINEER software tools to their design needs. Courses ranging from the basics through the module-specific advanced classes are available at Parametric Technology's Education Centers or may be taught at the customer's site. Customized classes are also available.

Parametric Technology's consulting services are provided through its Certified Engineering Provider (CEP) program. This is a network of qualified consultants that partner with Parametric Technology to provide its clients with necessary consulting services. These consultants are trained in the implementation of Pro/ENGINEER products, and in methods of providing consultation services for the product lines.

Clients

Some of Parametric Technology's major customers are Hughes Aircraft Co., Acer Inc., Carrier Corp., Volkswagen AG, Whirlpool Corp. and Medtronic, Inc.

In fiscal 1995, 2,700 new customers were added to Parametric Technology's list of clients.

Marketing and Sales

Parametric Technology licenses products to customers in the U.S. through a direct sales force. Sales and marketing operations outside the U.S. are conducted principally through the company's foreign sales subsidiaries throughout Europe and the Far East.

The company derives approximately 85% of its revenues through products distributed directly to strategic customers, and the remaining 15% through value-added resellers (VARs).

Alliances

Parametric Technology has partnered with numerous independent software vendors, and has created its Cooperative Software Program (CSP) to help its customers maintain an open software environment.

- CSP groups partners into the following areas:
 - Consulting, integration and training services
 - Document/information management
 - Electronic design automation
 - Engineering analysis
 - Industrial design and rendering
 - Knowledge-based systems
 - Manufacturing
 - Rapid prototyping
 - Service bureaus
 - Translators and migration tools
 - Other applications

Some of Parametric Technology's CSP independent software vendors include: Andersen Consulting, CDI Computer Services, Inc./Innovative Information Systems, Inc., Hewlett-Packard, IBM, SPECTRAGRAPHICS Corporation, Cadence Design Systems, Inc., Intergraph Corporation—Electronics Division, Structural Research & Analysis Corporation, Texas Instruments, Computer Design, Inc., Concentra Corporation, Generative N/C Technology, Inc., 3D Systems, Stratasys, Inc., International TechneGroup Incorporated and FISHER/UNITECH, Inc.

The Pro/ENGINEER family of products is certified to run on all major UNIX, Windows NT and Windows 95 system architectures.

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Parametric Technology hardware partners are Digital Equipment, Hewlett-Packard, IBM, NEC, Silicon Graphics and SUN Microsystems for UNIX; Compaq, CompuAdd, Digital Equipment, Hewlett-Packard, Intergraph, NEC, NeTpower and Siemens Nixdorf for Windows NT; and Intel for Microsoft's Windows 95.

Competition

Parametric Technology competes most directly with CADAM® and CATIA products by IBM, CADDS® by Computervision Corporation, UNIGRAPHICS® by EDS, I/EMS™ by Intergraph Corporation and the I-DEAS Master Series™ by Structural Dynamics Research Corporation.

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PARAMETRIC TECHNOLOGY CORPORATION
128 Technology Drive
Waltham, MA 02154
Phone: (617) 894-7111
Fax: (617) 891-1069

Samuel P. Geisberg, Chairman
Steven C. Walske, President, CEO, and Director
Public Corporation, NASDAQ
Total Employees: 305
Total Revenue, Fiscal Year End 9/30/91: $44,715,000

The Company

Parametric Technology Corporation is an applications software firm that develops, markets, and supports a family of integrated software products that automate the mechanical design-through-manufacturing process.

Parametric Technology's product family, called Pro/ENGINEER, is based on a software architecture that integrates the different stages of mechanical design automation.

- Pro/ENGINEER's integrated modular design allows changes to be automatically propagated throughout all phases of the design process while multiple team members to work on a design simultaneously.

- Pro/ENGINEER significantly shortens the product development life cycle by allowing products and their manufacturing processes to be developed concurrently. This results in lower cost, better-designed products.

Parametric Technology's fiscal 1991 revenue reached $44.7 million, a 76% increase over fiscal 1990 revenue of $25.5 million. Net income increased 84% to $10.3 million, compared to $5.6 million for fiscal 1990. A four-year financial summary follows:

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PARAMETRIC TECHNOLOGY CORPORATION
FOUR-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

	FISCAL YEAR			
ITEM	9/91	9/90	9/89	9/88
Revenue	$44,715	$25,475	$11,028	$3,267
. Percent increase from previous year	76%	131%	238%	N/A
Income before taxes	$15,886	$8,570	$2,307	N/A
. Percent increase from previous year	85%	271%	N/A	N/A
Net income (loss)	$10,331	$5,613	$2,237	$(833)
. Percent increase from previous year	84%	151%	369%	N/A
Earnings (loss) per share (a)	$0.76	$0.43	$0.20	$(0.09)
. Percent increase from previous year	77%	65%	322%	N/A

(a) Restated to reflect a three-for-two stock split in June 1991.

Parametric Technology management attributes revenue increases during the past three years primarily to the licensing of over 2,500 seats of software during fiscal 1991, compared with approximately 1,550 seats during fiscal 1990, and 800 during fiscal 1989.

- Interest income (net) increased to $1.5 million in fiscal 1991 from $1.1 million in fiscal 1990 and $104,000 in fiscal 1989 due primarily to higher interest-bearing cash and short-term investment balances resulting from positive cash flow from operations, as well as the proceeds from Parametric Technology's initial public offering of common stock in December 1989.

- Research and development expenses (after capitalized amounts) were approximately $5.4 million (12% of revenue) in fiscal 1991, $3.7 million (15% of revenue) in fiscal 1990, and $2.3 million (21% of revenue) in fiscal 1989.

As of September 30, 1991, Parametric Technology had 305 employees (263 in the U.S. and 42 international), segmented as follows:

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Sales/marketing/support	177
Customer support/training/ consulting	28
Product development	76
Management, finance/ administration	24
	305

Parametric Technology competes most directly with:

- IBM: CADAM and CATIA products
- Prime Computer: CADDS and MEDUSA products
- Electronic Data Systems: UNIGRAPHICS product
- Intergraph: VEMS product
- Structural Dynamics Research Corporation: IDEAS product

Key Products and Services

Parametric Technology derives 100% of its revenue from its applications software products.

The company's product line consists of its core product, Pro/ENGINEER, and additional modules.

- Pro/ENGINEER, first shipped in January 1988, is a parametric, feature-driven solid modeling system used throughout the entire mechanical design automation (MDA) cycle.

- The products operate on a range of workstations from DEC, Data General, Mitsubishi, Hewlett-Packard, IBM, NEC, Silicon Graphics, and Sun Microsystems, and can be configured for both single-user and networked multi-user applications.

- To date, Parametric Technology has sold products for 5,250 workstation seats to nearly 1,200 companies, representing the sale of approximately 38,000 software modules.

Pro/ENGINEER modules include:

- Pro/DESIGN, a conceptual design tool

- Pro/DETAIL and Pro/DRAFT, which generate detailed manufacturing drawings

- Pro/ASSEMBLY, used to design and manage very complex assemblies

- Pro/MESH, a finite element analysis preprocessor

- Pro/NLO, for networking options

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- Pro/FEATURE, for user-defined and advanced feature capabilities
- Pro/INTERFACE, which allows Pro/ENGINEER data to be exchanged with third-party applications as well as other MDA systems
- Pro/PROJECT, a project data management system used to manage multi-task design efforts in an engineering environment
- Pro/LIBRARY, which provides access to industry Standard Libraries (standard parts, tools, connectors, etc.)
- Pro/MANUFACTURING, which generates manufacturing process specifications
- Pro/PLOT, which provides plotter interface capabilities
- Pro/SURFACE, which includes creation and importation of surface and curve geometry
- Pro/SHEETMETAL, for the design and manufacturing of sheetmetal components
- Pro/VIEWONLY, which provides a low cost license for "view only" access
- Pro/CAT, which provides for the direct exchange of data between Pro/ENGINEER and IBM's CATIA
- Pro/CABLING, a comprehensive package of 3D cable and wireharness design
- Pro/ECAD, which provides the direct exchange of information between Pro/ENGINEER and electrical computer-aided design systems
- Pro/DEVELOP, which opens the software architecture to allow customers and third parties to integrate proprietary applications

Parametric Technology is able to develop new products rapidly because of Pro/ENGINEER's modular structure of its software code. This enables functional subroutines used in existing products to be accessed and utilized by new software modules, reducing the amount of new code required to develop additional products.

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Industry Markets

One hundred percent of Parametric Technology's revenue is derived from the manufacturing industry.

Marketing and sales efforts are primarily focused on electronic equipment, aerospace, automotive, and consumer products companies.

Parametric Technology distributes its products directly to strategic customers, and indirectly through value-added resellers (VARs) and original equipment manufacturers (OEMs).

No single customer accounted for more than 10% of the firm's revenue in fiscal 1991.

Geographic Markets

Approximately 62% of Parametric Technology's fiscal 1991 revenue was derived from North America, 20% from the Far East, and 18% from Europe. A three-year geographic source of revenue summary follows:

PARAMETRIC TECHNOLOGY CORPORATION
THREE-YEAR GEOGRAPHIC SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	9/91		9/90		9/89	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
North America	$27.8	62%	$17.5	69%	$7.0	63%
Far East	8.8	20%	4.3	17%	2.1	19%
Europe	8.1	18%	3.7	14%	1.9	18%
TOTAL	**$44.7**	**100%**	**$25.5**	**100%**	**$11.0**	**100%**

Parametric Technology has sales and support offices located in 32 cities across the U.S and in Italy, Germany, France, the U.K., Japan, and the Netherlands.

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

September 1996

Paychex, Inc.

President & CEO: B. Thomas Golisano
911 Panorama Trail South
Rochester, NY 14625-0397
Phone: (716) 385-6666
Fax: (716) 383-3428
Internet: http://www.paychex.com

PAYCHEX®

Status:	Public
Employees:	3,900+ (7/96)
Revenue:	$325,285,000*
Fiscal Year End:	5/31/96

** Prior to merger*

Key Points

- Paychex is currently the second largest payroll service provider in the U.S.—second to Automatic Data Processing, Inc.
- Paychex claims to lead its market niche of providing payroll processing primarily to businesses with fewer than 200 employees. Its services were created expressly for small businesses more than 20 years ago when such services were virtually unavailable to the independent business owner.
- Paychex estimates that more than 80% of small businesses are still doing their payroll manually or using in-house computers, offering Paychex continued opportunity for growth.
- In August 1996, Paychex merged with National Business Solutions, a professional employer organization (PEO) providing small and medium-sized businesses with outsourcing solutions for employee benefits.
- During 1995, Paychex added more than 5,000 payroll clients to its base with the acquisitions of The Payroll Company and Pay-Fone Systems Inc. in June 1995.

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Company Description

Paychex, founded in 1971, provides batch payroll processing services to nearly 240,000 small to medium-sized businesses nationwide.

- The company also offers employee insurance products and services, human resource management services, and automatic tax payment services to its processing clients.
- The market for Paychex' services evolved primarily as a result of employers being required by law to act as "tax collectors" for various taxing authorities. This makes employers responsible for complying with a variety of complex, changing regulations, and for withholding from their employees' pay and remitting all payroll taxes collected to the taxing authorities.
- As a result of the acquisition of National Business Solutions, the company also provides outsourcing services for employee benefits.

A five-year summary of the company's number of clients, branch processing centers, sales offices, and employees (as of fiscal year end May 31) follows:

Paychex, Inc.
Five-Year Statistics

	Fiscal Year				
Item	5/96	5/95	5/94	5/93	5/92
Number of clients	234,000	207,900	185,900	167,500	150,400
Branch processing/service centers	75	71	70	70	70
Sales offices	23	23	24	20	17
Paychex employees	3,900	3,500	3,100	2,800	2,500

Operations and Structure

Paychex currently has 75 payroll processing/service centers and 23 sales offices in major metropolitan areas in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, the District of Columbia, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, and Wisconsin.

The Human Resource Services Division supplies insurance products and human resource management services.

Paychex Management Corp., a wholly owned subsidiary, provides treasury management services to Paychex.

Paychex Business Solutions (formerly National Business Solutions) provides outsourcing for employee benefits.

Company Strategy

In the payroll market, Paychex continues to concentrate on sales productivity, client retention, and new product development.

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Financials

Paychex' fiscal 1996 revenue (prior to the merger) reached $325.3 million, a 22% increase over fiscal 1995 revenue of $267.2 million. Net income rose 34%, from $39.0 million in fiscal 1995 to $52.3 million in fiscal 1996. A five-year summary follows:

Paychex, Inc.
Five-Year Financial Summary
($ Millions, except per-share data)

	Fiscal Year				
Item	5/96	5/95	5/94	5/93	5/92
Revenue	$325.3	$267.2	$224.1	$190.0	$161.3
• Percent change from previous year	22%	19%	18%	18%	18%
Income before taxes	$72.7	$54.4	$39.0	$28.0	$19.5
• Percent change from previous year	34%	39%	39%	44%	39%
Net income	$52.3	$39.0	$28.1	$20.0	$13.7
• Percent change from previous year	34%	39%	41%	46%	42%
Earnings per share (a)	$0.77	$0.58	$0.42	$0.30	$0.21
• Percent change from previous year	33%	38%	40%	43%	40%

(a) Restated to reflect 3-for-2 stock splits in June 1995 and May 1996.

Paychex management attributes financial results to the following:

- The company's ability to continually grow its client base, increase the use of ancillary services by new and existing customers, and decrease selling, general, and administrative expenses, as a percent of revenue, has resulted in compounded revenue growth of 18% and compounded net income growth of 36% over the past six years.
- Increased revenue is a result of consistent growth of the number of clients using the basic payroll service and increased use of the Taxpay® automatic tax payment and filing service.
- Approximately 2% of the 1996 increase was attributed to revenue from Pay-Fone Systems and The Payroll Company, two acquisitions made during fiscal 1996.
- Increased revenue also came from other ancillary payroll products, including Direct Deposit and Check Signing and Inserting.
- The Human Resource Services Division continues to generate yearly revenue increases and anticipates future growth of its 401(k) record-keeping services.

A three-year financial summary based on the pro forma unaudited consolidated results of operations for Paychex and National Business Solutions follows:

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Paychex, Inc.
Restated Financial Information
($ Millions, except per-share data)

	Fiscal Year		
Item	5/96	5/95	5/94
Revenue	$566.4	$412.1	$323.9
Net income	$54.0	$39.8	$28.5
Earnings per share	$0.76	$0.57	$0.42

Interim Results

Paychex' financials have been restated to reflect the pooling-of-interests acquisition of National Business Solutions in August 1996.

Revenue for the three months ending August 31, 1996 reached $166 million, a 34% increase over $123.5 million for the same period a year ago. net income increased 34%, from $12.8 million to $17.1 million.

- Payroll service revenue reached $88.9 million, an increase of 17% over $76.2 million for the same period a year ago. Operating income from payroll services increased 33% to $22.8 million.

- Revenue from the PEO business acquired with National Business Solutions reached $77.1 million, a 63% increase over $47.3 million for the same period last year. Operating income rose 53% to $0.8 million.

Market Financials

Virtually all of Paychex' revenue is derived from businesses with fewer than 100 employees. Approximately 69% of its clients employ 14 or fewer persons.

Approximately 80% of Paychex clients in fiscal 1994 or fiscal 1995 continued to be clients in fiscal 1996.

Virtually all of Paychex' fiscal 1996 revenue was derived from batch payroll, tax payment and associated processing services. INPUT estimates that approximately 6% of revenue was derived from fringe benefit and personnel services.

Geographic Markets

One hundred percent of Paychex' fiscal 1996 revenue was derived from the U.S.

Acquisitions

In August 1996, Paychex completed the acquisition of National Business Solutions, Inc. for approximately 2.9 million shares of Paychex common stock. The transaction will be accounted for as a pooling of interests.

- National Business Solutions, based in St. Petersburg (FL), is a professional employer organization specializing in providing small and medium-sized businesses with outsourcing solutions for their employee benefits.

- By becoming a co-employer of a client's employees, National Business Solutions relieves the business owner of human resource administration, employment regulatory compliance, workers' compensation coverage, health care, 401(k) administration, and other employee-related administrative responsibilities.

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- National Business Solutions, with more than 230 clients, has pooled together more than 9,600 employees, including client employees. For the twelve months ending May 31, 1996, the company was profitable and generated revenue of approximately $240 million, which includes all amounts billed to clients for gross salaries and wages, related employment taxes, health care benefits, workers' compensation coverage, and administrative fees.

- The operations of National Business Solutions will operate as Paychex® Business Solutions.

In September 1995, Paychex acquired The Payroll Company for approximately $5 million in Paychex stock.

- The Payroll Company, based in San Francisco (CA), provides payroll processing services to approximately 2,100 clients in the San Francisco Bay area.

- The operations of The Payroll Company are being merged into Paychex.

In June 1995, Paychex completed the acquisition of Pay-Fone Systems, Inc. of Van Nuys (CA) for approximately $10.5 million in Paychex common stock.

- Pay-Fone provided payroll and tax preparation services to approximately 3,500 clients through five offices in California.

- Pay-Fone had approximately 65 employees at the time of the acquisition and revenue of $4.5 million for the fiscal year ending June 30, 1994.

- The operations of Pay-Fone have been merged into Paychex.

Employees

As of July 1996, prior to the acquisition of National Business Solutions, Paychex had more than 3,900 employees, an 11% increase over last year's level.

Paychex Business Solutions (formerly National Business Solutions) has pooled together more than 9,600 work site employees.

Key Products and Services

Paychex' core business is national payroll processing and payroll tax preparation. The company also offers human resource products and services, including section 125 cafeteria plans, 401(k) record keeping, employee handbook services, insurance services, and employee evaluation tools.

Payroll Services

Paychex primarily markets its services to small businesses employing fewer than 200 persons.

- Once a business becomes a Paychex client, Paychex personnel convert the client's payroll records to a Paychex computer. Thereafter, the client, via a telephone call, fax, or PC modem to a Paychex branch office each payroll period, reports the payroll hours per employee and any personnel or compensation changes.

- Every pay period, Paychex prepares payroll checks with employee earnings statements, payroll journals, cash requirements and deposits reports, employer taxable wage and expense summaries, departmental earnings and deduction summaries, client timesheets, and payroll deduction registers (as required).

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- Every deposit period, Paychex provides written notification of all required federal, state and local payroll tax deposits, including the tax deposit amount and due date.

- Four times a year, Paychex prepares for each client the following: Form 941 (Employer's Quarterly Federal Tax Return); state unemployment insurance returns; tax deposits for federal unemployment insurance (Coupon 8109); any required local tax returns and deposits; employee earnings histories; quarterly reports of wages; and year-to-date reports of wages.

- At year end, Paychex prepares the following forms, balanced, reconciled and ready to file: employer and employee W-2 forms, W-3 recap of federal taxes withheld, recap of state and local taxes withheld, 940 Federal Unemployment Insurance Return, and supporting information for the year's payroll.

- Delivery is provided by mail, courier, or customer pick-up.

- The fees for Paychex' payroll services are calculated by pay period, with the total fee directly proportional to the number of employees. Fees generally range from $0.60 to $2.50 per employee per pay period.

The Taxpay tax payment service is an automatic payroll tax filing service option available to processing clients.

- When preparing payroll for a client, Paychex extracts from the client's bank account the accrued tax liability for that period, including all state and federal, unemployment, disability, and local taxes. Paychex maintains those dollars in a separate account and, upon specific due dates, makes the payments for the client to the appropriate tax jurisdiction.

- For this service, Paychex receives additional processing revenue and interest income from the fiduciary account. Additional revenue generated per client is approximately 33%.

- As of May 31, 1996, Taxpay was being used by 56% of Paychex clients, compared to 51% of clients at the end of fiscal 1995, and 43% of clients at the end of fiscal 1994.

Other payroll service enhancements include the following:

- The Paylink® service allows clients to electronically transfer their payroll data from their personal computer to a Paychex branch for processing. During fiscal 1996, users of Paylink increased to more than 14,000.

- Reportlink, introduced in fiscal 1995, is an extension of the Paylink basic service and permits two-way communication. Each pay period, after Paychex has computed a company's payroll data, it can be sent to the company for use in an array of reports useful to management, accounting, and human resources personnel.

- Direct Deposit is an automatic salary deposit service for employees (available nationwide). Direct Deposit clients increased nearly 40% during fiscal 1996 to more than 51,000. In general, Direct Deposit provides 15% additional revenue per client.

- Check Signing enables businesses to have checks signed electronically. Inserting allows Paychex to seal the checks in envelope. During fiscal 1996, the number

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of clients using these services increased 24% to approximately 22,000 businesses. Check Signing adds approximately 15% additional revenue per client, per year.

Human Resources

The Human Resource Services (HRS) Division, formed during fiscal 1991, consolidates operational and marketing efforts for Paychex' insurance products and services and human resource management services.

Insurance Services, introduced during fiscal 1986, include a core group of products for group health, short-term and long-term disability insurance, workers' compensation, and group life and group dental insurance. The products are primarily offered through a national brokerage firm. In selected geographical areas, the company also offers group insurance through Blue Cross-Blue Shield and local HMO organizations.

Personnel Services, introduced during fiscal 1989 and directed toward existing clients, are designed to help small employers deal with human resource management issues by providing employee handbooks and associated manuals, customized job descriptions to help employers with compliance information regarding the workplace, and equal employment rules and regulations.

Paychex markets cafeteria plan products approved under Section 125 of the Internal Revenue Code.

- The Premium Only Plan (POP) allows employees to pay for certain fringe benefits with pretax dollars, with a resultant reduction of payroll taxes to employers and employees.
- The Flexible Spending Account Plan allows client employees to pay for health and dependent care expenses with pretax dollars.

During fiscal 1995, the division added record-keeping services for 401(k) retirement plans, which are now available in all Paychex branches.

Paychex also provides its customers with a series of specialized publications relating to payroll and payroll tax information. These publications are free.

Products and services offered through the HRS division are now available to 98% of Paychex' payroll clients.

Clients

Clients include restaurants, retailers, franchisees, attorneys, accountants, doctors, dentists, and various other small businesses.

Marketing and Sales

Paychex markets its payroll services in its 75 branch operating centers and 23 sales offices located in major metropolitan areas.

Products and services of the HRS Division are sold through a separate sales organization located in most branch offices. Some of the products and services are available on a nationwide basis through an inside sales group.

Competitors

Paychex' major payroll processing competitor is Automatic Data Processing, Inc. Paychex also competes with banks and smaller independent companies.

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INPUT Assessment

Paychex is well known in the small business marketplace and gets many referrals by word of mouth.

The Paylink service allows PC-oriented clients to enter payroll information at any time of the day, bypassing the payroll specialist. Paychex realizes lower operating costs because data entry functions are actually provided by the client.

Ongoing statutory changes imposed by government continue to create business for Paychex.

Paychex' challenges over the coming year include integrating the operations of National Business Solutions and maintaining profitability.

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

October 1995

Paychex, Inc.

President
& CEO: **B. Thomas Golisano**
911 Panorama Trail South
Rochester, NY 14625-0397
Phone: **(716) 385-6666**
Fax: **(716) 383-3428**

PAYCHEX®

Status:	Public
Employees:	3,500
Revenue:	$ 267,176,000
Fiscal Year End:	5/31/95

Key Points

- Paychex is currently the second largest payroll service provider in the U.S.—second to Automatic Data Processing, Inc.
- Paychex claims to lead its market niche of providing payroll processing primarily to businesses with less than 200 employees. Its services were created expressly for small businesses more than 20 years ago when such services were virtually unavailable to the independent business owner.
- Paychex estimates that more than 80% of small businesses are still doing their payroll manually or using in-house computers, offering Paychex continued opportunity for growth.
- The market for Paychex' services evolved primarily as a result of employers being required by law to act as "tax collectors" for various taxing authorities. This makes employers responsible for complying with a variety of complex, changing regulations, and for withholding from their employees' pay and remitting all payroll taxes collected to the taxing authorities.
- In June 1995, Paychex added more than 3,200 payroll clients to its base with the acquisition of Pay-Fone Systems, Inc.

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- During 1995, the Human Resource Services Division introduced a 401(k) recordkeeping service which is now available in all Paychex branches.

Company Description

Paychex, founded in 1971, provides batch payroll processing services to more than 215,000 small- to medium-sized businesses nationwide. The company also offers employee insurance products and services, human resource management services and automatic tax payment services to its processing clients.

A five-year summary of the company's number of clients, branch processing centers, sales offices and employees (as of fiscal year end May 31) follows:

Paychex, Inc.
Five-Year Statistics

Item	Fiscal Year				
	5/95	5/94	5/93	5/92	5/91
Number of clients	207,900	185,900	167,500	150,400	135,200
Branch processing centers	71	70	70	70	70
Sales offices	23	24	20	17	16
Paychex employees	3,500	3,100	2,800	2,500	2,300

Operations and Structure

Paychex currently has 71 payroll processing centers and 24 sales offices in major metropolitan areas in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, the District of Columbia, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington and Wisconsin.

The Human Resource Services Division supplies insurance products and human resource management services.

During 1994, Paychex created Paychex Management Corp., a wholly owned subsidiary, to provide treasury management services to Paychex.

Company Strategy

In the payroll market, Paychex continues to concentrate on sales productivity, client retention and new product development.

During 1994, Paychex completed the conversion of its processing centers from Prime to Hewlett-Packard equipment to reduce processing overhead and provide new capabilities.

Financials

Paychex' fiscal 1995 revenue reached $267.2 million, a 19% increase over fiscal 1994 revenue of $224.1 million. Net income rose 39%, from $28.1 million in fiscal 1994 to $39.0 million in fiscal 1995. A five-year summary follows:

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Paychex, Inc.
Five-Year Financial Summary
($ Millions, except per share data)

Item	Fiscal Year 5/95	5/94	5/93	5/92	5/91
Revenue	$267.2	$224.1	$190.0	$161.3	$137.1
• Percent change from previous year	19%	18%	18%	18%	14%
Income before taxes	$54.4	$39.0	$28.0	$19.5	$14.0
• Percent change from previous year	39%	39%	44%	39%	6%
Net income	$39.0	$28.1	$20.0	$13.7	$9.6
• Percent change from previous year	39%	41%	46%	42%	11%
Earnings per share (a)	$0.87	$0.63	$0.45	$0.31	$0.22
• Percent change from previous year	38%	40%	45%	41%	16%

(a) Restated to reflect a 3-for-2 stock split in June 1995.

Paychex management attributes revenue increases to the following:

- Consistent growth of payroll clients and clients using the Taxpay® automatic tax payment and filing service as well as improved interest rates on Taxpay investments
- Solid revenue gains for the add-on payroll services of Electronic Salary Deposit and Check Signing and Inserting
- A revenue increase of more than 50% from the Human Resource Services Division as more clients used the personnel services and employee benefit products offered

Interim Results—Revenue for the three months ending August 31, 1995 reached nearly $76.2 million, a 21% increase over $62.9 million for the same period in 1994. Net income rose 28%, from $9.5 million to more than $12.2 million. Without the impact of the acquisition of Pay-Fone Systems in June 1995, revenue and net income would have increased 19% and 32% respectively over the first quarter last year. The number of payroll clients has increased from nearly 207,900 at the end of fiscal 1995 to more than 215,000.

Market Financials

Virtually all of Paychex' revenue is derived from businesses with fewer than 100 employees. Approximately 69% of its clients employ 14 or fewer persons.

Approximately 80% of Paychex clients in fiscal 1993 or fiscal 1994 continued to be clients in fiscal 1995.

Virtually all of Paychex' fiscal 1995 was derived from batch payroll, tax payment and associated processing services. INPUT estimates that approximately 6% of revenue was derived from fringe benefit and personnel services.

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Geographic Markets

One hundred percent of Paychex' fiscal 1995 revenue was derived from the U.S.

Acquisitions

In June 1995, Paychex completed the acquisition of Pay-Fone Systems, Inc. of Van Nuys (CA) for approximately $10.5 million in Paychex common stock.

- Pay-Fone provided payroll and tax preparation services to approximately 3,500 clients through five offices in California.
- Pay-Fone had approximately 65 employees at the time of the acquisition and revenue of $4.5 million for the fiscal year ending June 30, 1994.
- The operations of Pay-Fone are being merged into Paychex.

Employees

Paychex has approximately 3,500 employees, of which 3,300 are full-time and 200 are part-time.

Key Products and Services

Paychex' core business is national payroll processing and payroll tax preparation. The company also offers human resource products and services, including section 125 cafeteria plans, 401(k) recordkeeping, employee handbook services, insurance services and employee evaluation tools.

Payroll Services

Paychex primarily markets its services to small businesses employing fewer than 200 persons.

- Once a business becomes a Paychex client, Paychex personnel convert the client's payroll records to a Paychex computer. Thereafter, the client, via a telephone call, fax or PC modem to a Paychex branch office each payroll period, reports the payroll hours per employee and any personnel or compensation changes.
- Every pay period, Paychex prepares payroll checks with employee earnings statements, payroll journals, cash requirements and deposits reports, employer taxable wage and expense summaries, departmental earnings and deduction summaries, client timesheets and payroll deduction registers (as required).
- Every deposit period, Paychex provides written notification of all required federal, state and local payroll tax deposits, including the tax deposit amount and due date.
- Four times a year, Paychex prepares for each client the following: Form 941 (Employer's Quarterly Federal Tax Return); state unemployment insurance returns; tax deposits for federal unemployment insurance (Coupon 8109); any required local tax returns and deposits; employee earnings histories; quarterly reports of wages; and year-to-date reports of wages.
- At year end, Paychex prepares the following forms, balanced, reconciled and ready to file—employer and employee W-2 forms, W-3 recap of federal taxes withheld, recap of state and local taxes withheld, 940 Federal Unemployment Insurance Return and supporting information for the year's payroll.
- Delivery is provided by mail, courier or customer pick-up.
- The fees for Paychex' payroll services are calculated by pay period, with the total

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fee directly proportional to the number of employees. Fees generally range from $0.60 to $2.50 per employee per pay period.

The Taxpay tax payment service is an automatic payroll tax filing service option available to processing clients.

- When preparing payroll for a client, Paychex extracts from the client's bank account the accrued tax liability for that period, including all state and federal, unemployment, disability and local taxes. Paychex maintains those dollars in a separate account, and, upon specific due dates, makes the payments for the client to the appropriate tax jurisdiction.

- For this service, Paychex receives additional processing revenue and interest income from the fiduciary account. Additional revenue generated per client is approximately 33%.

- More than 50% of Paychex' clients currently use the Taxpay service, as compared to approximately 43% in fiscal 1994 and 35% in fiscal 1993.

- As of May 31, 1995, Taxpay was being used by more than 43% of Paychex clients, compared to 35% of clients at the end of fiscal 1993 and 25% of clients at the end of fiscal 1992. As of August 31, 1995 Taxpay was in use by more than 110,000 of Paychex' 215,000+ clients.

Other payroll service enhancements include the following:

- The Paylink® service allows a client to electronically transfer their payroll data from their personal computer to a Paychex branch for processing. During fiscal 1995 users of Paylink quadrupled to more than 11,000.

- Reportlink, introduced in fiscal 1995, is an extension of the Paylink basic service and permits two-way communication. Each pay period, after Paychex has computed a company's payroll data, it can be sent to the company for use in array of reports useful to management, accounting and human resources personnel.

- Direct Deposit is an automatic salary deposit service for employees (available nationwide). Direct Deposit clients increased 61% during fiscal 1995 to more than 37,000. As of August 31, 1995, there were approximately 40,000 Direct Deposit clients. In general, Direct Deposit provides 15% additional revenue per client.

- Check Signing enables businesses to have checks signed electronically. Inserting allows Paychex to seal the checks in envelops. More than 18,000 clients are now using these services. Check Signing adds approximately 15% additional revenue per client, per year.

Human Resources

The Human Resource Services (HRS) Division, formed during fiscal 1991, consolidates operational and marketing efforts for Paychex' insurance products and services and human resource management services.

Insurance Services, introduced during fiscal 1986, include a core group of products for group health, short-term and long-term disability insurance, workers' compensation, group life and group dental insurance. The products are primarily offered through a national brokerage firm. In selected geographical areas, the company also offers group insurance through Blue Cross-Blue Shield and local HMO organizations.

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Personnel Services, introduced during fiscal 1989 and directed toward existing clients, are designed to help small employers deal with human resource management issues by providing employee handbooks and associated manuals, customized job descriptions to help employers with compliance information regarding the workplace and equal employment rules and regulations.

Paychex markets cafeteria plan products approved under Section 125 of the Internal Revenue Code.

- The Premium Only Plan (POP) allows employees to pay for certain fringe benefits with pretax dollars, with a resultant reduction of payroll taxes to employers and employees.

- The Flexible Spending Account Plan allows client employees to pay for health and dependent care expenses with pretax dollars.

During fiscal 1995, the division added recordkeeping services for 401(k) retirement plans.

Paychex also provides its customers with a series of specialized publications relating to payroll and payroll tax information. These publications are free.

Products and services offered through the HRS division are now available to 98% of Paychex' payroll clients.

Clients

Clients include restaurants, retailers, franchisees, attorneys, accountants, doctors, dentists and various other small businesses.

Marketing and Sales

Paychex markets its payroll services in its 71 branch operating centers and 24 sales offices located in major metropolitan areas.

Products and services of the HRS Division are sold through a separate sales organization located in 61 branch offices and in 18 sales offices. Some of the products and services are available on a nationwide basis through an inside sales group.

Competitors

Paychex' major competitor is Automatic Data Processing, Inc. Paychex also competes with banks and smaller independent companies.

INPUT Assessment

Paychex is well known in the small business marketplace and gets many referrals by word of mouth.

The Paylink service allows PC-oriented clients to enter payroll information at any time of the day, bypassing the payroll specialist. Paychex realizes lower operating costs since data entry functions are actually provided by the client.

Ongoing statutory changes imposed by government continue to create business for Paychex.

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

September 1994

Paychex, Inc.

President
& CEO: **B. Thomas Golisano**
911 Panorama Trail South
Rochester, NY 14625-0397
Phone: **(716) 385-6666**
Fax: **(716) 383-3159**

PAYCHEX®

Status:	Public
Employees:	3,100
Revenue:	$ 224,052,000
Fiscal Year End:	5/31/94

Key Points

- Paychex is currently the second largest payroll service provider in the U.S.—second to Automatic Data Processing, Inc.
- Paychex claims to lead its market niche of providing payroll processing primarily to businesses with less than 200 employees. Its services were created expressly for small businesses more than 20 years ago when such services were virtually unavailable to the independent business owner.
- Paychex estimates that more than 80% of small businesses are still doing their payroll manually or using in-house computers, offering Paychex continued opportunity for growth.
- The market for Paychex' services evolved primarily as a result of employers being required by law to act as "tax collectors" for various taxing authorities. This makes employers responsible for complying with a variety of complex, changing regulations, and for withholding from their employees' pay and remitting all payroll taxes collected to the taxing authorities.
- Paychex recently completed the conversion of its processing centers from Prime to Hewlett-Packard equipment to reduce processing overhead and provide new capabilities.

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PAYCHEX® is a registered trademark of Paychex, Inc.

- During 1994, digital check signing and inserting became available to payroll clients in all of Paychex' operating centers.
- In fiscal 1994, Paychex' Human Resource Services Division completed its third year as an operating unit. The unit is now running at break-even and its operations contribute approximately 5% to Paychex' total revenue.
- Paychex management's plans for fiscal 1995 are primarily to maintain a revenue growth rate in the mid-teens and a profitability growth rate in excess of 20%.

Company Description

Paychex, founded in 1971, provides batch payroll processing services to more than 191,000 small- to medium-sized businesses nationwide. The company also offers employee insurance products and services, human resource management services and automatic tax payment services to its processing clients.

A five-year summary of the company's number of clients, branch processing centers, sales offices and employees (as of fiscal year end May 31) follows:

Paychex, Inc.
Five-Year Statistics

	Fiscal Year				
Item	5/94	5/93	5/92	5/91	5/90
Number of clients	185,900	167,500	150,400	135,200	120,600
Branch processing centers	70	70	70	70	74
Sales offices	24	20	17	16	15
Paychex employees	3,100	2,800	2,500	2,300	2,200

Operations and Structure

Paychex currently has 70 payroll processing centers and 24 sales offices in major metropolitan areas in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, the District of Columbia, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington and Wisconsin.

The Human Resource Services Division supplies insurance products and human resource management services.

During 1994, Paychex created Paychex Management Corp., a wholly owned subsidiary, to provide treasury management services to Paychex.

Company Strategy

In the payroll market, Paychex continues to concentrate on sales productivity, client retention and new product development.

Financials

Paychex' fiscal 1994 revenue reached $224.1 million, an 18% increase over fiscal 1993 revenue of $190.0 million. Net income rose 41%, from $20.0 million in fiscal 1993 to $28.1 million in fiscal 1994. A five-year summary follows:

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Paychex, Inc.
Five-Year Financial Summary
($ Millions, except per share data)

Item	Fiscal Year 5/94	5/93	5/92	5/91	5/90
Revenue	$224.1	$190.0	$161.3	$137.1	$120.2
• Percent change from previous year	18%	18%	18%	14%	19%
Income before taxes	$39.0	$28.0	$19.5	$14.0	$13.2
• Percent change from previous year	39%	44%	39%	6%	(12%)
Net income	$28.1	$20.0	$13.7	$9.6	$8.6
• Percent change from previous year	41%	46%	42%	11%	(9%)
Earnings per share (a)	$0.94	$0.67	$0.46	$0.33	$0.29
• Percent change from previous year	40%	43%	42%	14%	(9%)

(a) Restated to reflect a 3-for-2 stock split in August 1993.

Paychex management attributes revenue increases to the consistent growth of payroll clients and clients using the Taxpay® automatic tax payment and filing service. Greater acceptance of digital check signing and salary deposit services and increased sales from the Human Resource Services Division also contributed to fiscal 1994 growth.

Interim Results—Revenue for the three months ending August 31, 1994 reached $62.9 million, an 18% increase over $53.3 million for the same period in 1993. Net income rose 38%, from $6.9 million to more than $9.5 million. Results were attributed to growth in payroll clients plus strong revenue gains in the Human Resource Services Division. The number of payroll clients has increased from nearly 186,000 at the end of fiscal 1994 to more than 191,000.

Market Financials

Virtually all of Paychex' revenue is derived from businesses with fewer than 100 employees. Approximately 67% of its clients employ 14 or fewer persons.

Approximately 80% of Paychex clients in fiscal 1992 or fiscal 1993 continued to be clients in fiscal 1994.

Virtually all of Paychex' fiscal 1994 was derived from batch payroll, tax payment and associated processing services. INPUT estimates that approximately 5% of revenue was derived from fringe benefit and personnel services.

Geographic Markets

One hundred percent of Paychex' fiscal 1994 revenue was derived from the U.S.

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Employees

Paychex has approximately 3,100 employees, of which 2,900 are full-time and 200 are part-time.

Key Products and Services

Paychex' core business is national payroll processing and payroll tax preparation. The company also offers human resource products and services, including section 125 cafeteria plans, employee handbook services, insurance services and employee evaluation tools.

Payroll Services

Paychex primarily markets its services to small businesses employing fewer than 200 persons.

- Once a business becomes a Paychex client, Paychex personnel convert the client's payroll records to a Paychex computer. Thereafter, the client, via a telephone call, fax or PC modem to a Paychex branch office each payroll period, reports the payroll hours per employee and any personnel or compensation changes.

- Every pay period, Paychex prepares payroll checks with employee earnings statements, payroll journals, departmental earnings and deduction summaries, client timesheets and payroll deduction registers (as required).

- Every deposit period, Paychex provides written notification of all required federal, state and local payroll tax deposits, including the tax deposit amount and due date.

- Four times a year, Paychex prepares for each client the following: Form 941 (Employer's Quarterly Federal Tax Return); state unemployment insurance returns; tax deposits for federal unemployment insurance (Coupon 8190); any required local tax returns and deposits; employee earnings histories; quarterly reports of wages; and year-to-date reports of wages.

- At year end, Paychex prepares the following forms, balanced, reconciled and ready to file—employer and employee W-2 forms, W-3 recap of federal taxes withheld, recap of state and local taxes withheld, 940 Federal Unemployment Insurance Return and supporting information for the year's payroll.

- Delivery is provided by mail, courier or customer pick-up.

- The fees for Paychex' payroll services are calculated by pay period, with the total fee directly proportional to the number of employees. Fees generally range from $0.60 to $2.50 per employee per pay period.

The Taxpay tax payment service is an automatic payroll tax filing service option available to processing clients.

- When preparing payroll for a client, Paychex extracts from the client's bank account the accrued tax liability for that period, including all state and federal, unemployment, disability and local taxes. Paychex maintains those dollars in a separate account, and, upon specific due dates, makes the payments for the client to the appropriate tax jurisdiction.

- For this service, Paychex receives additional processing revenue and interest income from the fiduciary account. Additional revenue generated per client is approximately 33%.

- Subscribers to Taxpay increased by 36% to 81,000 businesses during fiscal 1994. The bulk of the growth comes from new clients.

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- Taxpay is being used by more than 43% of Paychex clients, compared to 35% of clients at the end of fiscal 1993 and 25% of clients at the end of fiscal 1992.

Other payroll service enhancements include the following:

- The Paylink® service allows a client to electronically transfer their payroll data from their personal computer to a Paychex branch for processing. By the end of fiscal 1994, more than 2,200 clients were using Paylink.

- Direct Deposit is an automatic salary deposit service for employees (available nationwide). Direct Deposit clients increased nearly 67% during fiscal 1994 to more than 23,000. In general, Direct Deposit provides 15% additional revenue per client.

- Check Signing enables businesses to have checks signed electronically. More than 13,000 clients are now using this service. Check Signing adds approximately 15% additional revenue per client, per year.

Human Resources

The Human Resource Services (HRS) Division, formed during fiscal 1991, consolidates operational and marketing efforts for Paychex' insurance products and services and human resource management services.

Insurance Services, introduced during fiscal 1986, include a core group of products for group health, short-term and long-term disability insurance, workers' compensation, group life and group dental insurance. The products are primarily offered through a national brokerage firm. In selected geographical areas, the company also offers group insurance through Blue Cross-Blue Shield and local HMO organizations.

Personnel Services, introduced during fiscal 1989 and directed toward existing clients, are designed to help small employers deal with human resource management issues by providing employee handbooks and associated manuals, customized job descriptions to help employers with compliance information regarding the workplace and equal employment rules and regulations.

Paychex markets cafeteria plan products approved under Section 125 of the Internal Revenue Code.

- The Premium Only Plan (POP) allows employees to pay for certain fringe benefits with pretax dollars, with a resultant reduction of payroll taxes to employers and employees.

- The Flexible Spending Account Plan allows client employees to pay for health and dependent care expenses with pretax dollars.

Paychex also provides its customers with a series of specialized publications relating to payroll and payroll tax information. These publications are free.

Products and services offered through the HRS division are now available in 44 Paychex branch offices and are sold through a separate sales organization.

Clients

Clients include restaurants, retailers, franchisees, attorneys, accountants, doctors, dentists and various other small businesses.

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Marketing and Sales

Paychex markets its payroll services in its 70 branch operating centers and 24 sales offices located in major metropolitan areas.

Products and services of the HRS Division are sold through a separate sales organization located in 44 branch offices. Some of the products and services are available on a nationwide basis through an inside sales group.

Competitors

Paychex' major competitor is Automatic Data Processing, Inc. Paychex also competes with banks and smaller independent companies.

INPUT Assessment

Paychex is well known in the small business marketplace and gets many referrals by word of mouth.

The Paylink service allows PC-oriented clients to enter payroll information at any time of the day, bypassing the payroll specialist. Paychex realizes lower operating costs since data entry functions are actually provided by the client.

Ongoing statutory changes imposed by government continue to create business for Paychex.

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PAYCHEX, INC.

911 Panorama Trail South
Rochester, NY 14625-0397
Phone: (716) 385-6666

President/CEO:	B. Thomas Golisano
Status:	Public Corporation
Stock Exchange:	NASDAQ
Total Employees:	2,800
Total Revenue:	$190,032,000
Fiscal Year End:	5/31/93

Key Points

- Paychex claims to lead its market niche of providing payroll processing primarily to businesses with less than 200 employees. Its services were created expressly for small businesses 20 years ago when such services were virtually unavailable to the independent business owner.
- Paychex estimates that more than 80% of small businesses are still doing their payroll manually or using in-house computers, offering Paychex continued opportunity for growth.
- The market for Paychex' services evolved primarily as a result of employers being required by law to act as "tax collectors" for various taxing authorities. This makes employers responsible for complying with a variety of complex, changing regulations, and for withholding from their employees' pay and remitting all payroll taxes collected to the taxing authorities.
- Paychex recently converted its processing centers from Prime to Hewlett-Packard equipment to reduce processing overhead and provide new capabilities.
- In fiscal 1993, Paychex' Human Resources Division completed its second year as an operating unit. Its revenues grew by more than 30%, however the unit is still not profitable.
- Paychex management's plans for fiscal 1994 are primarily to maintain a revenue growth rate in the mid-teens and a profitability growth rate in excess of 20%.

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Company Description

Paychex, founded in 1971, provides batch payroll processing services to more than 176,000 small- to medium-sized businesses nationwide. The company also offers employee insurance products and services, human resource management services and automatic tax payment services to its processing clients.

A five-year summary of the company's number of clients, branch processing centers, sales offices and employees (as of fiscal year end May 31) follows:

	FISCAL YEAR				
ITEM	5/93	5/92	5/91	5/90	5/89
Number of clients	167,500	150,400	135,200	120,600	105,600
Branch processing centers	70	70	70	74	68
Sales offices	20	17	16	15	16
Paychex employees	2,800	2,500	2,300	2,200	1,800

Financials

Paychex' fiscal 1993 revenue reached $190 million, an 18% increase over fiscal 1992 revenue of $161.3 million. Net income rose 46%, from $13.7 million in fiscal 1992 to $20.0 million in fiscal 1993. A five-year financial summary appears on the following page.

Paychex management attributes the company's consistent growth to continued client base expansion and a significant growth in the number of clients using the Taxpay^{R} automatic tax payment and filing service. To a lesser extent, price adjustments also contributed to the revenue increases.

In July 1993, Paychex announced that the company would split its stock 3 for 2, which is the fourth 3-for-2 split Paychex has had since becoming a public company in August 1983.

Revenue for the six months ending November 30, 1993, reached $107.6 million, an 18% increase over $91.0 million for the same period in 1992. Net income was $14.0 million, a 37% increase over $10.3 million for the same period a year ago.

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PAYCHEX, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ millions, except per share data)

	FISCAL YEAR				
ITEM	5/93	5/92	5/91	5/90	5/89
Revenue	$190.0	$161.3	$137.1	$120.2	$101.2
· Percent increase from previous year	18%	18%	14%	19%	27%
Income before taxes	$28.0	$19.5	$14.0	$13.2	$15.0
· Percent increase (decrease) from previous year	44%	39%	6%	(12%)	33%
· Gross margin	15%	12%	10%	11%	15%
Net income	$20.0	$13.7	$9.6	$8.6	$9.4
· Percent increase (decrease) from previous year	46%	42%	11%	(9%)	36%
· Net margin	11%	8%	7%	7%	9%
Earnings per share (a)	$0.67	$0.47	$0.33	$0.29	$0.32
· Percent increase (decrease) from previous year	43%	42%	14%	(9%)	N/A

(a) Restated to reflect a 3-for-2 stock split in August 1993.

Market Financials

Virtually all of Paychex' revenue is derived from businesses with fewer than 100 employees. Approximately 67% of its clients employ 14 or fewer persons.

Approximately 80% of Paychex clients in fiscal 1991 or fiscal 1992 continued to be clients in fiscal 1993.

Virtually all of Paychex' fiscal 1993 was derived from batch payroll, tax payment and associated processing services. INPUT estimates that less than 5% of revenue was derived from fringe benefit and personnel services.

Geographic Markets

One hundred percent of Paychex' fiscal 1993 revenue was derived from the U.S.

Paychex currently has 70 payroll processing centers and 20 sales offices in major metropolitan areas.

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- Although no new centers are scheduled to open within the next 12 months, the number of sales offices may increase.
- Historically, the majority of new clients have come from branch centers that have been open for two or more years.

Employees

Paychex has approximately 2,800 full-time and part-time employees.

Key Products and Services

Paychex markets its services primarily to small businesses employing fewer than 200 persons.

- Once a business becomes a Paychex client, Paychex personnel convert the client's payroll records to a Paychex computer. Thereafter, the client, via a telephone call, fax or PC modem to a Paychex branch office each payroll period, reports the payroll hours per employee and any personnel or compensation changes.
- Every pay period, Paychex prepares payroll checks with employee earnings statements, payroll journals, departmental earnings and deduction summaries, client timesheets and payroll deduction registers (as required).
- Every deposit period, Paychex provides written notification of all required federal, state and local payroll tax deposits, including the tax deposit amount and due date.
- Four times a year, Paychex prepares for each client the following: Form 941 (Employer's Quarterly Federal Tax Return); state unemployment insurance returns; tax deposits for federal unemployment insurance (Coupon 8190); any required local tax returns and deposits; employee earnings histories; quarterly reports of wages; and year-to-date reports of wages.
- At year end, Paychex prepares the following forms--balanced, reconciled and ready to file: employer and employee W-2 forms, W-3 recap of federal taxes withheld, recap of state and local taxes withheld, 940 Federal Unemployment Insurance Return and supporting information for the year's payroll.
- Delivery is provided by mail, courier or customer pick-up.
- The fees for Paychex' payroll services are calculated by pay period, with the total fee directly proportional to the number of employees. Fees generally range from $0.60 to $2.50 per employee per pay period.

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The TAXPAY tax payment service is an automatic payroll tax filing service option available to processing clients.

- When preparing payroll for a client, Paychex extracts from the client's bank account the accrued tax liability for that period, including all state and federal, unemployment, disability and local taxes. Paychex maintains those dollars in a separate account, and, upon specific due dates, makes the payments for the client to the appropriate tax jurisdiction.

- For this service, Paychex receives additional processing revenue and interest income from the fiduciary account. Additional revenue generated per client is approximately 33%.

- TAXPAY is being used by over 39% of Paychex clients, compared to 35% of clients at the end of fiscal 1993 and 25% of clients at the end of fiscal 1992.

Other payroll service enhancements include the following:

- The Paylink[SM] service allows a client to electronically transfer their payroll data from their personal computer to a Paychex branch for processing.

- Direct Deposit is an automatic salary deposit service for employees (available nationwide).

The Human Resource Services Division, formed during fiscal 1991, consolidates operational and marketing efforts for Paychex' insurance products and services and human resource management services.

- Insurance Services, introduced during fiscal 1986, include a core group of products for group health, short-term and long-term disability insurance, workers' compensation, group life and group dental insurance. The products are primarily offered through a national brokerage firm. In selected geographical areas, the company also offers group insurance through Blue Cross-Blue Shield and local HMO organizations.

- Personnel Services, introduced during fiscal 1989 and directed toward existing clients, are designed to help small employers deal with human resource management issues by providing employee handbooks and associated manuals, customized job descriptions to help employers with compliance information regarding the workplace and equal employment rules and regulations.

- During fiscal 1991, Paychex introduced a section 125 Cafeteria Plan that allows employees to pay for certain fringe benefits with pretax

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dollars rather than post-tax dollars, resulting in lower payroll taxes for employers.

- These services are offered in approximately 40 Paychex branch offices and are sold through a separate sales organization.

Paychex also provides its customers with a series of specialized publications relating to payroll and payroll tax information. These publications are free.

Clients

Clients include restaurants, retailers, franchisees, attorneys, accountants, doctors, dentists and various other small businesses.

Competitors

Paychex' major competitor is Automatic Data Processing, Inc. Paychex also competes with banks and smaller independent companies.

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PAYCHEX, INC.

911 Panorama Trail South
Rochester, NY 14625-0397
Phone: (716) 385-6666

President/CEO:	B. Thomas Golisano
Status:	Public
Stock Exchange:	NASDAQ
Total Employees:	2,500
Total Revenue:	$161,272,000
Fiscal Year End:	5/31/92

Key Points

- Paychex claims to be the leader in its market niche of providing payroll processing primarily to businesses with under 200 employees. Its services were created expressly for small businesses some 20 years ago when such services were virtually unavailable to the independent business owner.
- Paychex estimates that 85% of small businesses are still doing their payroll manually or using in-house computers, offering Paychex continued opportunity for growth.
- The market for Paychex' services has evolved primarily as a result of employers being required by law to act as "tax collectors" for various taxing authorities. This makes employers responsible for complying with a variety of complex, changing regulations and for withholding from their employees' pay and remitting to the taxing authorities all payroll taxes collected.
- During 1991, Paychex created a separate Human Resource Services Division, consolidating operational and marketing efforts for fringe benefit products and personnel management services.
- Paychex management's plans for fiscal 1993 are primarily to maintain a revenue growth rate in the mid-teens and a profitability growth rate in excess of 20%.

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Company Description

Paychex, founded in 1979, currently provides batch payroll processing services to over 150,000 small- to medium-sized businesses nationwide. The company also offers employee fringe benefit products, personnel management services, and automatic tax payment services to its processing clients in certain geographic markets.

A five-year summary of the company's number of clients, processing centers, and employees (as of fiscal year end May 31) follows:

	FISCAL YEAR				
ITEM	5/92	5/91	5/90	5/89	5/88
Number of clients	150,400	135,200	120,600	105,600	87,300
Processing centers	70	70	74	68	64
Paychex employees	2,500	2,300	2,200	1,800	1,500

Financials

Paychex' fiscal 1992 revenue reached $161.3 million, an 18% increase over fiscal 1991 revenue of $137.1 million. Net income rose 42%, from $9.6 million in fiscal 1991 to $13.7 million in fiscal 1992. A five-year financial summary follows:

PAYCHEX, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ millions, except per share data)

	FISCAL YEAR				
ITEM	5/92	5/91	5/90	5/89	5/88
Revenue	$161.3	$137.1	$120.2	$101.2	$79.4
· Percent increase from previous year	18%	14%	19%	27%	24%
Income before taxes	$19.5	$14.0	$13.2	$15.0	$11.2
· Percent increase from previous year	39%	6%	(12%)	33%	10%
· Gross margin	12%	10%	11%	15%	14%
Net income	$13.7	$9.6	$8.6	$9.4	$6.9
· Percent increase from previous year	42%	11%	(9%)	36%	35%
· Net margin	8%	7%	7%	9%	9%
Earnings per share (a)	$0.70	$0.49	$0.44	$0.48	$0.36
· Percent increase from previous year	43%	11%	(8%)	33%	33%

(a) Restated to reflect a 3-for-2 stock split in May 1992.

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Paychex management attributes the company's consistent growth to the continued expansion of its client base; a significant growth in the number of clients using the Taxpay® automatic tax payment and filing service; 1992 price increases; and favorable revisions in pricing policies.

- Gains in revenue in the current year contributed to increases in operating income and net income of 42%, when compared to the prior year.

Employees

Paychex's 2,500 employees (including 2,300 full-time and 200 part-time) are segmented as follows:

Sales representatives	420
Payroll specialists	730
Officers/managers	230
Other	1,120
	2,500

Competitors

Paychex's major competitor is Automatic Data Processing, Inc. Paychex also competes with banks and smaller independent companies.

Key Products and Services

Virtually all of Paychex's fiscal 1992 was derived from batch payroll, tax payment, and associated processing services. INPUT estimates that less than 5% of revenue was derived from fringe benefit and personnel services.

Paychex markets its services primarily to small businesses employing fewer than 200 persons.

- Once a business becomes a Paychex client, Paychex personnel convert the client's payroll records to a Paychex computer. Thereafter, the client, with one telephone call to a Paychex branch office each payroll period, reports the payroll hours per employee and any personnel or compensation changes.
- Every pay period, Paychex prepares payroll checks with employee earnings statements, payroll journals, departmental earnings and deduction summaries, client timesheets, and payroll deduction registers (as required).
- Every deposit period, Paychex provides written notification of all required federal, state, and local payroll tax deposits, including the tax deposit amount and due date.

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- Four times a year, Paychex prepares for each client the following: Form 941 (Employer's Quarterly Federal Tax Return); state unemployment insurance returns; tax deposits for federal unemployment insurance (Coupon 8190); any required local tax returns and deposits; employee earnings histories; quarterly reports of wages; and year-to-date reports of wages.

- At year end, Paychex prepares the following forms--balanced, reconciled, and ready to file: employer and employee W-2 forms, W-3 recap of federal taxes withheld, recap of state and local taxes withheld, 940 Federal Unemployment Insurance Return, and supporting information for the year's payroll.

- Delivery is provided by mail, courier, or customer pick-up.

- The fees for Paychex's payroll services are calculated by pay period, with the total fee directly proportional to the number of employees. Fees generally range from $0.80 to $2.50 per employee per pay period.

The TAXPAY Tax Payment Service, introduced during fiscal 1989, is an autmatic payroll tax filing service option available to processing clients.

- When preparing payroll for a client, Paychex will extract from the client's bank account the accrued tax liability for that period, including all state and federal, unemployment, disability, and local taxes. Paychex maintains those dollars in a separate account, and, upon the specific due dates, make the payments for the client to the appropriate tax jurisdiction.

- For this service, Paychex receives additional processing revenue and interest income from the fiduciary account. The additional revenue generated per client is approximately 35%.

- TAXPAY is currently being used by over 25% of Paychex clients, compared to 13% of clients in fiscal 1991.

Other payroll service enhancements include the following:

- Direct Deposit, an automatic salary deposit service for employees (available nationwide)

- Automatic laser check signing

The Human Resource Services Division, formed during fiscal 1991, consolidates the operational and marketing efforts for Paychex' fringe benefits products and personnel management services.

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- Fringe Benefit Services, introduced during fiscal 1986, include a core group of products for group health, short-term and long-term disability insurance, workers' compensation, group life, and group dental insurance. The products are issued by several insurance companies through Paychex, as agent or broker.

- Personnel Services, introduced during fiscal 1989 and directed toward existing clients, are designed to help small employers deal with personnel management issues by providing employee handbooks, compliance information regarding the workplace, and equal employment rules and regulations.

- During fiscal 1991, Paychex introduced a section 125 Cafeteria Plan that allows employees to pay for certain fringe benefits with pretax dollars rather than post-tax dollars, resulting in lower payroll taxes for employers.

- Employment Services products, introduced during fiscal 1992, provide a group of measurement and evaluation tools to assist clients in the process of hiring employees as well as training and developing current employees. This product line also includes aids to clients in the development of job descriptions.

- These services are currently being offered in 30 Paychex branch offices through a separate sales organization.

Paychex also provides its customers with a series of specialized publications relating to payroll and payroll tax information. These publications are provided free of charge.

Industry Markets

Virtually all of Paychex's revenue is derived from businesses with fewer than 100 employees. Approximately 67% of its clients employ 14 or fewer persons.

Approximately 80% of the businesses that were Paychex clients in fiscal 1990 or fiscal 1991 continued to be clients in fiscal 1992.

Clients include restaurants, retailers, franchisees, attorneys, accountants, doctors, dentists, and various other small businesses.

Geographic Markets

One hundred percent of Paychex's fiscal 1992 revenue was derived from the U.S.

Paychex currently has 70 payroll processing centers and 17 sales offices in major metropolitan areas.

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- Although no new centers are scheduled to be opened within the next 12 months, the number of sales offices will increase.
- Historically, Paychex has generated the majority of its new clients from branch centers that have been open for two or more years.

Computer Hardware

Paychex's processing centers generally have Prime 4050, 2755, or 2655 computers installed.

PAYCHEX, INC.
911 Panorama Trail South
Rochester, NY 14625-0397
(716) 385-6666

B. Thomas Golisano, Chairman, President, and CEO
Public Corporation, NASDAQ
Total Employees: 2,300
Total Revenue, Fiscal Year End 5/31/91: $137,081,000

The Company

Paychex, founded in 1979, currently provides batch payroll processing services to over 135,000 small businesses nationwide. The company also offers employee fringe benefit products, personnel management services, and automatic tax payment services to its processing clients in certain geographic markets.

Paychex' fiscal 1991 revenue reached $137.1 million, a 14% increase over fiscal 1990 revenue of $120.2 million. Net income rose 11%, from $8.6 million in fiscal 1990 to $9.6 million in fiscal 1991. A five-year financial summary follows:

PAYCHEX, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ millions, except per share data)

	FISCAL YEAR					
ITEM	5/91	5/90	5/89	5/88	5/87	CAGR
Revenue	$137.1	$120.2	$101.2	$79.4	$63.9	21%
· Percent increase from previous year	14%	19%	27%	24%	26%	
Income before taxes	$14.0	$13.2	$15.0	$11.2	$10.2	8%
· Percent increase from previous year	6%	(12%)	33%	10%	32%	
· Gross margin	10%	11%	15%	14%	16%	
Net income	$9.6	$8.6	$9.4	$6.9	$5.1	17%
· Percent increase from previous year	11%	(9%)	36%	35%	23%	
· Net margin	7%	7%	9%	9%	8%	
Earnings per share	$0.74	$0.66	$0.73	$0.54	$0.40	17%
· Percent increase from previous year	12%	(10%)	35%	35%	21%	

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Paychex management attributes the company's consistent growth to the continued expansion of its customer base; the favorable acceptance of TAXPAY℠, the company's automatic tax payment filing service; and selective price increases in May 1990 and 1989.

- Gains in revenue in the current year contributed to increases in operating income of 10% and net income of 12%, when compared to the prior year.

- Revenue growth in fiscal 1990 did not fully absorb increased costs in that year, resulting in declines in operating income of 14% and net income of 9%.

Revenue for the three months ending August 31, 1991 reached $38.0 million, a 15% increase over $33.1 million for the same period in 1990. Net income for the period rose 18%, from $2.9 million to nearly $3.4 million.

A five-year summary of the company's number of clients, processing centers, and employees (as of fiscal year end May 31) follows:

	FISCAL YEAR				
ITEM	5/91	5/90	5/89	5/88	5/87
Number of clients	135,200	120,600	105,600	87,300	70,200
Processing centers	70	74	68	64	60
Paychex employees	2,300	2,200	1,800	1,500	1,300

Approximately 80% of the businesses that were Paychex clients in fiscal 1989 or fiscal 1990 continued to be clients in fiscal 1991.

Paychex's 2,300 employees (including 2,000 full-time and 300 part-time) are segmented as follows:

Sales representatives	380
Payroll specialists	680
Officers/managers	200
Other	1,040
	2,300

Paychex's major competitor is Automatic Data Processing, Inc. Paychex also competes with banks and smaller independent companies.

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Key Products and Services

Virtually all of Paychex's fiscal 1991 was derived from batch payroll, tax payment, and associated processing services. INPUT estimates that less than 5% of revenue was derived from fringe benefit and personnel services.

Paychex markets its services primarily to small businesses employing fewer than 100 persons.

- Once a business becomes a Paychex client, Paychex personnel convert the client's payroll records to a Paychex computer. Thereafter, the client, with one telephone call to a Paychex branch office each payroll period, reports the payroll hours per employee and any personnel or compensation changes.
- Every pay period, Paychex prepares payroll checks with employee earnings statements, payroll journals, departmental earnings and deduction summaries, client timesheets, and payroll deduction registers (as required).
- Every deposit period, Paychex provides written notification of all required federal, state, and local payroll tax deposits, including the tax deposit amount and due date.
- Four times a year, Paychex prepares for each client the following: Form 941 (Employer's Quarterly Federal Tax Return); state unemployment insurance returns; tax deposits for federal unemployment insurance (Coupon 8190); any required local tax returns and deposits; employee earnings histories; quarterly reports of wages; and year-to-date reports of wages.
- At year end, Paychex prepares the following forms--balanced, reconciled, and ready to file: employer and employee W-2 forms, W-3 recap of federal taxes withheld, recap of state and local taxes withheld, 940 Federal Unemployment Insurance Return, and supporting information for the year's payroll.
- Delivery is provided by mail, courier, or customer pick-up.
- The fees for Paychex's payroll services are calculated by pay period, with the total fee directly proportional to the number of employees. Fees generally range from $0.80 to $2.50 per employee per pay period.

The TAXPAY Tax Payment Service, introduced during fiscal 1989, is an option available to processing clients. When preparing payroll for a client, Paychex will extract from the client's bank account the accrued tax liability for that period, including all state and federal, unemployment, disability, and local taxes. Paychex maintains those

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dollars in a separate account, and, upon the specific due dates, make the payments for the client to the appropriate tax jurisdiction.

- For this service, Paychex receives additional processing revenue and interest income from the fiduciary account. The additional revenue generated per client is approximately 35%.
- TAXPAY is currently being used by over 18,000 clients and is available in all company locations.

The Human Resource Services Division, formed during fiscal 1991, consolidates the operational and marketing efforts for Paychex' fringe benefits products and personnel management services.

- Fringe Benefit Services, introduced during fiscal 1986, include a core group of products for group health, short-term and long-term disability insurance, workers' compensation, group life, and group dental insurance. The products are issued by several insurance companies through Paychex, as agent or broker.
- Personnel Services, introduced during fiscal 1989 and directed toward existing clients, are designed to help small employers deal with personnel management issues by providing employee handbooks, compliance information regarding the workplace, and equal employment rules and regulations.
- During fiscal 1991, Paychex introduced a section 125 Cafeteria Plan that allows employees to pay for certain fringe benefits with pretax dollars rather than post-tax dollars, resulting in lower payroll taxes for employers.
- These services are currently being offered in 26 Paychex offices through a separate sales organization.

Paychex also provides its customers with a series of specialized publications relating to payroll and payroll tax information. These publications are provided free of charge.

Industry Markets

Virtually all of Paychex's revenue is derived from businesses with fewer than 100 employees. Approximately 67% of its clients employ 14 or fewer persons.

Clients include restaurants, retailers, franchisees, attorneys, accountants, doctors, dentists, and various other small businesses.

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Geographic Markets

One hundred percent of Paychex's fiscal 1991 revenue was derived from the U.S.

Paychex currently has 70 payroll processing centers and 16 sales offices in major metropolitan areas.

- During fiscal 1991, Paychexz merged four branch processing centers into other existing centers.
- Although no new centers are scheduled to be opened within the next 12 months, the number of sales offices will increase.
- Historically, Paychex has generated the majority of its new clients from branch centers that have been open for two or more years.

Computer Hardware

Paychex's processing centers generally have Prime 4050, 2755, or 2655 computers installed.

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PAYCHEX, INC.
911 Panorama Trail South
Rochester, NY 14625-0397
(716) 385-6666

B. Thomas Golisano, Chairman, President, and CEO
Public Corporation, NASDAQ
Total Employees: 2,200
Total Revenue, Fiscal Year End 5/31/90: $120,200,000

The Company

Paychex, founded in 1979, currently provides batch payroll processing services to over 123,000 small businesses nationwide. The company also offers employee fringe benefit products, personnel management services, and automatic tax payment services to its processing clients in certain geographic markets.

Paychex' fiscal 1990 revenue reached $120.2 million, a 19% increase over fiscal 1989 revenue of $101.2 million. Net income declined 9%, from $9.4 million in fiscal 1989 to $8.6 million in fiscal 1990. A five-year financial summary follows:

PAYCHEX, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ millions, except per share data)

	FISCAL YEAR					
ITEM	5/90	5/89	5/88	5/87	5/86	CAGR
Revenue	$120.2	$101.2	$79.4	$63.9	$50.7	24%
• Percent increase from previous year	19%	27%	24%	26%	24%	
Income before taxes	$13.2	$15.0	$11.2	$10.2	$7.8	14%
• Percent increase from previous year	(12%)	33%	10%	32%	63%	
• Gross margin	11%	15%	14%	16%	15%	
Net income	$8.6	$9.4	$6.9	$5.1	$4.2	20%
• Percent increase from previous year	(9%)	36%	35%	23%	40%	
• Net margin	7%	9%	9%	8%	8%	
Earnings per share	$0.66	$0.73	$0.54	$0.40	$0.33	19%
• Percent increase from previous year	(10%)	35%	35%	21%	43%	

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Paychex management attributes the company's consistent growth to the continued expansion of its customer base, which increased 14% and 21% during fiscal 1990 and fiscal 1989, respectively. Selective price increases in May 1989 and 1988 also contributed to revenue increases.

- The decline in the rate of growth of the customer base in fiscal 1990 can be attributed primarily to a decrease in sales productivity related to the recent expansion of the sales organization and the introduction of new products into additional markets.

- Declines in net income were attributed to expenses associated with the expanded sales force and the introduction of new services. It is projected that TAXPAY will be profitable during fiscal 1991.

Revenue for the three months ending August 31, 1990 reached $33.1 million, a 16% increase over $28.5 million for the same period in 1989. Net income for the period rose 7%, from $2.7 million to nearly $2.9 million.

- Revenue growth, operational economies, and the elimination of nonrecurring expenses associated with product development were the major factors contributing to net income growth.

A five-year summary of the company's number of clients, processing centers, and employees (as of fiscal year end May 31) follows:

	FISCAL YEAR				
ITEM	5/90	5/89	5/88	5/87	5/86
Number of clients	120,600	105,600	87,300	70,200	56,900
Processing centers	74	68	64	60	54
Paychex employees	2,200	1,800	1,500	1,300	1,030

Approximately 80% of the businesses that were Paychex clients in fiscal 1989 continued to be clients in fiscal 1990.

As of November 1990, Paychex increased its number of clients to 123,000 and reduced the number of processing centers to 72.

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Paychex's 2,200 employees (including 1,900 full-time and 300 part-time) are segmented as follows:

Sales representatives	350
Payroll specialists	700
Officers/managers	200
Other	950
	2,200

Paychex's major competitor is Automatic Data Processing, Inc. Paychex also competes with banks and smaller independent companies.

Key Products and Services

Virtually all of Paychex's fiscal 1990 was derived from batch payroll, tax payment, and associated processing services. INPUT estimates less than 5% of revenue was derived from fringe benefit and personnel services.

Paychex markets its services primarily to small businesses employing fewer than 100 persons.

- Once a business becomes a Paychex client, Paychex personnel convert the client's payroll records to a Paychex computer. Thereafter, the client, with one telephone call to a Paychex branch office each payroll period, reports the payroll hours per employee and any personnel or compensation changes.
- Every pay period, Paychex prepares payroll checks with employee earnings statements, payroll journals, departmental earnings and deduction summaries, client timesheets, and payroll deduction registers (as required).
- Every deposit period, Paychex provides written notification of all required federal, state, and local payroll tax deposits, including the tax deposit amount and due date.
- Four times a year, Paychex prepares for each client the following: Form 941 (Employer's Quarterly Federal Tax Return); state unemployment insurance returns; tax deposits for federal unemployment insurance (Coupon 8190); any required local tax returns and deposits; employee earnings histories; quarterly reports of wages; and year-to-date reports of wages.
- At year end, Paychex prepares the following forms--balanced, reconciled, and ready to file: employer and employee W-2 forms, W-3 recap of federal taxes withheld, recap of state and

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local taxes withheld, 940 Federal Unemployment Insurance Return, and supporting information for the year's payroll.

- Delivery is provided by mail, courier, or customer pick-up.

- The fees for Paychex's payroll services are calculated by pay period, with the total fee directly proportional to the number of employees. Fees generally range from $0.80 to $2.50 per employee per pay period.

Paychex also offers the following products and services to its payroll processing clients:

- The TAXPAY Tax Payment Service, introduced during fiscal 1989, is an option available to processing clients. When preparing payroll for a client, Paychex will extract from the client's bank account the accrued tax liability for that period, including all state and federal, unemployment, disability, and local taxes. Paychex maintains those dollars in a separate account, and, upon the specific due dates, make the payments for the client to the appropriate tax jurisdiction.

 - For this service, Paychex receives additional processing revenue and interest income from the fiduciary account. The additional revenue generated per client is approximately 35%.

 - TAXPAY is currently available to about 75% of Paychex's client base, and there are currently over 9,000 clients. Paychex intends to have TAXPAY available to all of its clients by the end of fiscal 1991.

- Fringe Benefit Services, introduced during fiscal 1986, include a core group of products for group health, short-term and long-term disability insurance, workers' compensation, group life, and group dental insurance. The products are issued by several insurance companies through Paychex, as agent or broker, on a nonexclusive basis. These products are currently available through 14 Paychex branch offices.

- Personnel Services, introduced during fiscal 1989 and directed toward existing clients, are designed to help small employers deal with personnel management issues by providing employee handbooks, compliance information regarding the workplace, and equal employment rules and regulations.

 - There are currently approximately 3,000 clients of the service.

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- As of May 31, 1990, these services were available in 14 states through 46 branch locations. The service is expected to be available in all branch offices during fiscal 1991.

- Paychex also provides its customers with a series of specialized publications relating to payroll and payroll tax information. These publications are provided free of charge.

Industry Markets

Virtually all of Paychex's revenue is derived from businesses with fewer than 100 employees. Approximately 75% of its clients employ 19 or fewer persons.

Clients include restaurants, retailers, franchisees, attorneys, accountants, doctors, dentists, and various other small businesses.

Geographic Markets

One hundred percent of Paychex's fiscal 1990 revenue was derived from the U.S.

Paychex currently has 72 payroll processing centers and 15 sales offices in major metropolitan areas.

- During fiscal 1990, Paychex opened processing centers in Harrisburg and Allentown (PA), Worcester (MA), Poughkeepsie (NY), Raleigh (NC), and Boynton Beach (FL).

- The company's philosophy regarding the opening of new processing centers is changing. Because of economics, Paychex will reduce the number of new processing centers opened and at the time possibly increase the number of new sales offices opened in any given year. This should result in a cost savings to the company primarily because of the advances in remote processing.

Computer Hardware

Paychex's processing centers generally have Prime 4050, 2755, or 2655 computers installed.

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PAYCHEX, INC.
911 Panorama Trail South
Rochester, NY 14625-0397
(716) 385-6666

B. Thomas Golisano, Chairman, President, and CEO
Public Corporation, OTC
Total Employees: 1,800
Total Revenue, Fiscal Year End 5/31/89: $101,153,834

The Company

Paychex, founded in 1979, provides batch payroll processing services to over 105,000 small businesses nationwide. The company also offers employee fringe benefit products, personnel management services, and automatic tax payment services to its processing clients in certain geographic markets.

Paychex' fiscal 1989 revenue reached $101.2 million, a 27% increase over fiscal 1988 revenue of $79.4 million. Net income rose 36%, from $6.9 million in fiscal 1988 to over $9.4 million in fiscal 1989. A five-year financial summary follows:

PAYCHEX, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

	FISCAL YEAR				
ITEM	5/89	5/88	5/87	5/86	5/85
Revenue	$101,154	$79,433	$63,891	$50,704	$40,930
• Percent increase from previous year	27%	24%	26%	24%	29%
Income before taxes	$14,974	$11,230	$10,247	$7,774	$4,770
• Percent increase from previous year	33%	10%	32%	63%	9%
Net income	$9,446	$6,935	$5,124	$4,170	$2,982
• Percent increase from previous year	36%	35%	23%	40%	47%
Earnings per share (a)	$0.73	$0.54	$0.40	$0.33	$0.23
• Percent Increase from previous year	35%	35%	21%	43%	44%

(a) Restated to reflect a 3-for-2 stock split effected in the form of a 50% stock dividend on November 13, 1987.

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Paychex management attributes the company's consistent growth to the continued expansion of its customer base, which increased 21% during fiscal 1989.

- To a lesser extent, revenue also increased during fiscal 1989 as a result of a 53-week billing period in 1989 versus 52 weeks in 1988 and 1987.
- Selective price increases in May 1988 and September 1987 also contributed to revenue increases.
- A five-year summary of the company's number of clients, processing centers, and employees follows:

	FISCAL YEAR				
ITEM	5/89	5/88	5/87	5/86	5/85
Number of clients	105,600	87,300	70,200	56,900	46,300
Processing centers	68	64	60	54	48
Paychex employees	1,800	1,500	1,300	1,030	950

Approximately 80% of the businesses that were Paychex clients in fiscal 1988 continued to be clients in fiscal 1989.

Paychex currently has 1,835 employees, including 1,616 full-time and 219 part-time, segmented as follows:

Sales representatives	329
Payroll specialists	620
Officers/managers	180
Other	706
	1,835

Paychex's major competitor is Automatic Data Processing, Inc. Paychex also competes with banks and smaller independent companies.

Key Products and Services

Virtually 100% of Paychex's fiscal 1989 was derived from batch payroll and associated processing services. Revenues from the company's fringe benefit, personnel, and tax payment services were minimal during fiscal 1989.

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Paychex markets its services primarily to small businesses employing fewer than 100 persons.

- Once a business becomes a Paychex client, Paychex personnel convert the client's payroll records to a Paychex computer. Thereafter the client, with one telephone call to a Paychex branch office each payroll period, reports the payroll hours per employee and any personnel or compensation changes.

- Every pay period Paychex prepares payroll checks with employee earnings statements, payroll journals, departmental earnings and deduction summaries, client timesheets, and payroll deduction registers (as required).

- Every deposit period Paychex provides written notification of all required federal, state, and local payroll tax deposits, including the tax deposit amount and due date.

- Four times a year Paychex prepares for each client the following: Form 941 (Employer's Quarterly Federal Tax Return); state unemployment insurance returns; tax deposits for federal unemployment insurance (Coupon 8190); any required local tax returns and deposits; employee earnings histories; quarterly report of wages; and year-to-date report of wages.

- At year end, Paychex prepares the following forms--balanced, reconciled, and ready to file: employer and employee W-2 forms; W-3 recap of federal taxes withheld; recap of state and local taxes withheld; 940 Federal Unemployment Insurance Return; and supporting information for the year's payroll.

- Delivery is provided by mail, courier, or customer pick-up.

- The fees for Paychex's payroll services are calculated by pay period, with the total fee directly proportional to the number of employees. Fees generally range from $0.80 to $2.50 per employee per pay period.

Paychex also offers the following products and services to its payroll processing clients:

- Fringe Benefit Services, introduced during fiscal 1986, include a core group of products for health insurance, workers' compensation, group life, and group dental insurance. The products are issued by several insurance companies through Paychex, as agent or broker, on a nonexclusive basis. These

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products are currently available through 13 Paychex branch offices.

- Personnel Services, introduced during fiscal 1989, are designed to help small employers deal with legal and personnel issues that revolve around their employees, including the preparation of employee handbooks, compliance information regarding the workplace, and equal employment rules and regulations. These services were initially offered in upstate New York and have been expanded to all Paychex offices in New York State and California.

- The Tax Payment Service, introduced during fiscal 1989, is an option available to processing clients. When preparing payroll for a client, Paychex will extract from the client's bank account the accrued tax liability for that period, including all state and federal, unemployment, disability, and local taxes. Paychex maintains those dollars in a fiduciary account, and, upon the specific due dates, make the payments for the client to the appropriate tax jurisdiction.

 - For this service, Paychex receives additional processing revenue and interest income from the fiduciary account. The Tax Payment Service option can add in excess of 30% more revenue for Paychex per client per year.

 - The service is currently available in four cities. Expansion to other branches is planned during fiscal 1990.

- Paychex also provides its customers with a series of specialized publications relating to payroll and payroll tax information. These publications are provided free of charge.

Industry Markets

Virtually all of Paychex's revenue is derived from businesses with fewer than 100 employees.

Clients include restaurants, retailers, franchisees, attorneys, accountants, doctors, dentists, and various other small businesses.

Geographic Markets

One hundred percent of Paychex's fiscal 1989 revenue was derived from the U.S.

Paychex has 68 payroll processing centers and 14 sales offices in 33 states and the District of Columbia.

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- During fiscal 1989, Paychex opened processing centers in Toledo (OH), Calumet City (IL), Oklahoma City (OK), and El Monte (CA).
- The company plans to open a minimum of five new processing centers during fiscal 1990.

Computer Hardware

Paychex's processing centers generally have Prime 4050, 2755, or 2655 computers installed.

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FINANCIAL UPDATE TO PROFILE DATED OCTOBER 1986

PAYCHEX, INC.
911 Panorama Trail South
Rochester, NY 14625-0397
(716) 385-6666

B. Thomas Golisano, Chairman and CEO
Wesley C. Tallman, President and COO
Public Corporation, OTC
Total Employees: 1,300
Total Revenue, Fiscal Year End
5/31/87: $63,891,086

PAYCHEX, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

Item \ Fiscal Year	5/87	5/86	5/85	5/84	5/83
Revenue	$ 63,891	$ 50,704	$ 40,930	$ 31,691	$ 23,837
. Percent increase from previous year	26%	24%	29%	33%	44%
Income before taxes	$ 10,247	$ 7,774	$ 4,770	$ 4,362	$ 2,600
. Percent increase from previous year	32%	63%	9%	68%	279%
Loss from discontinued operations (a)	-	-	-	$ 753	-
Net income	$ 5,124	$ 4,170	$ 2,982	$ 2,023	$ 1,344
. Percent increase from previous year	23%	40%	47%	51%	113%
Earnings per share (b)	$ 0.60	$ 0.49	$ 0.35	$ 0.24	$ 0.18
. Percent increase from previous year	22%	40%	46%	33%	125%

(a) JOBLINE, a computerized personnel recruiting service introduced in September 1983, was discontinued in the fourth quarter of fiscal 1984, as the program did not meet with the company's revenue and profit expectations.

(b) Earnings per share have been restated to reflect a 3-for-2 stock split in June 1986.

- Paychex management states that substantially all of the growth in revenue during the past three years has resulted from expansion of the company's customer base through increased market penetration.

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- In each of the last three fiscal years, over 98% of revenue has come from branch offices that have been in operation for at least two years.

- During this same period Paychex has implemented price increases of approximately 6% in May 1986.

- Revenue for the three months ending August 31, 1987 was $18 million, a 20% increase over $15 million for the same period in 1986. Net income reached approximately $1.8 million, compared to $1.5 million for the same period a year ago. Paychex gained over 3,000 new business customers during the quarter.

- On November 21, 1986, Paychex acquired Payroll General Corporation, a payroll service company in Minneapolis. The acquisition was accounted for as a pooling of interests. Approximately 900 Payroll General clients were merged into the Paychex operation in Minneapolis.

SOURCE OF REVENUE

- One hundred percent of Paychex's fiscal 1987 revenue was derived from batch processing services.

- As of May 1987 Paychex had approximately 70,200 clients and 60 branch processing centers, compared to 56,900 clients and 54 processing centers in fiscal 1986.

- Paychex plans to open additional processing centers in Akron (OH), Oakland (CA), Fort Worth (TX), and Manchester (NH) during fiscal 1988.

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COMPANY PROFILE

PAYCHEX, INC.
911 Panorama Trail South
Rochester, NY 14625-0397
(716) 385-6666

B. Thomas Golisano, Chairman and CEO
Wesley C. Tallman, President and COO
Public Corporation, OTC
Total Employees: 1,030
Total Revenue, Fiscal Year End
5/31/86: $50,704,046

THE COMPANY

- Paychex, founded in 1979, provides batch payroll processing services to small- and medium-sized businesses nationwide.

 - During the second quarter of fiscal 1986 Paychex began test marketing "fringe benefit" products to its processing clients in five markets, including life, health, disability, and worker's compensation insurance and individual retirement accounts. The products are issued by several insurance companies through Paychex, as agent or broker, on a non-exclusive basis. Revenue and expenses from this business were minimal during fiscal 1986 and are expected to have similar impact on fiscal 1987 results.

- Fiscal 1986 revenue reached $50.7 milion, a 24% increase over fiscal 1985 revenue of $40.9 million. Net income rose 40% from $3 million in fiscal 1985 to $4.2 million in fiscal 1986. A five-year financial summary follows:

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PAYCHEX, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	5/86	5/85	5/84	5/83	5/82
Revenue	$ 50,704	$ 40,930	$ 31,691	$ 23,837	$ 16,583
. Percent increase from previous year	24%	29%	33%	44%	50%
Income before taxes	$ 7,774	$ 4,770	$ 4,362	$ 2,600	$ 686
. Percent increase from previous year	63%	9%	68%	279%	224%
Loss from discontinued operations (a)	-	-	$ 753	-	-
Net income	$ 4,170	$ 2,982	$ 2,023	$ 1,344	$ 631
. Percent increase from previous year	40%	47%	51%	113%	222%
Earnings per share (b)	$ 0.49	$ 0.35	$ 0.24	$ 0.18	$ 0.08
. Percent increase from previous year	40%	46%	33%	125%	167%

(a) JOBLINE, a computerized personnel recruiting service introduced in September 1983, was discontinued in the fourth quarter of fiscal 1984, as the program did not meet with the company's revenue and profit expectations.

(b) Earnings per share have been restated to reflect a 3-for-2 stock split in June 1986.

- Paychex management states that substantially all of the growth in revenue during the past three years has resulted from expansion of the company's customer base through increased market penetration.
 - In each of the last three fiscal years, over 98% of revenue has come from branch offices that have been in operation for at least two years.
 - During this same period Paychex has implemented price increases of approximately 6% both in May 1986 and May 1984.
- Revenue for the three months ending August 31, 1986 was $15 million, a 28% increase over $11.7 million for the same period in 1985. Net income reached approximately $1.5 million, compared to $1 million for the same period a year ago. Paychex gained over 2,000 new business customers during the quarter.

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- As of May 31, 1986, Paychex had 1,030 employees, including 845 full-time and 185 part-time. The company currently has approximately 1,050 employees, segmented as follows:

Marketing/sales representatives	170
Customer support	590
Computer operations	75
Research and development	15
General and administrative	200
	1,050

- Paychex's major competitor is Automatic Data Processing, Inc. Paychex also competes with banks and smaller independent companies.

KEY PRODUCTS AND SERVICES

- One hundred percent of Paychex's fiscal 1986 revenue was derived from batch processing services.

- At the end of fiscal 1986 Paychex was providing batch payroll services to more than 56,900 small- to medium-sized businesses nationwide, representing a net gain of 10,600 clients over fiscal 1985. Paychex currently provides payroll services to nearly 59,000 businesses.

 - Paychex markets its services principally to businesses employing fewer than 100 persons.

 - Once a business becomes a Paychex client, Paychex personnel convert the client's payroll records to the Paychex computer. Thereafter the client, with one telephone call to a Paychex branch office each payroll period, reports the payroll hours per employee and any personnel or compensation changes.

 - Every pay period Paychex prepares payroll checks with employee earnings statements, payroll journals, departmental earnings and deduction summary, client timesheets, and payroll deduction registers (as required).

 - Every deposit period Paychex provides written notification of all required federal, state, and local payroll tax deposits, including the tax deposit amount and due date.

 - Four times a year Paychex prepares for each client Form 941 (Employer's Quarterly Federal Tax Return), state unemployment insurance returns, state quarterly wage returns, tax deposits for federal unemployment insurance, any required local tax returns and deposits, employee earnings history, quarterly report of wages, and year-to-date report of wages.

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- For each client, Paychex annually prepares the following forms: W-2s, W-3 (Transmittal of Income and Tax Statements), reconciliation of state tax withheld, and Form 940 (Federal Unemployment Insurance Return). All such forms and returns are balanced and reconciled.

- Delivery is provided by mail, courier, or customer pick-up.

- Paychex does not have written contracts with any of its clients. Approximately 80% of the businesses that were Paychex clients in fiscal 1984 or 1985 continued to be clients in the succeeding fiscal year.

- Paychex also provides its customers with a series of specialized publications relating to payroll and payroll tax information. These publications are provided free of charge.

INDUSTRY MARKETS

- Virtually all of Paychex's fiscal 1986 revenue was derived from small- and medium-sized businesses employing fewer than 100 persons.

 - Approximately 58% of the company's clients employ 14 persons or fewer.

GEOGRAPHIC MARKETS

- One hundred percent of Paychex's fiscal 1986 revenue was derived from the U.S.

- Paychex currently operates 56 branch operating centers and 11 sales offices across the U.S.

 - Within the next 12 months Paychex plans to open five to seven additional branch operating centers.

COMPUTER HARDWARE AND SOFTWARE

- Paychex processing is decentralized, with 54 of the company's 65 offices using Prime computers.

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FINANCIAL UPDATE TO PROFILE DATED OCTOBER 1983*

PAYCHEX, INC.
911 Panorama Trail South
Rochester, NY 14625-0397
(716) 385-6666

B. Thomas Golisano, Chairman and CEO
Wesley C. Tallman, President and COO
Public Corporation, OTC
Total Employees: 947 (784 Full-Time, 163 Part-Time)
Total Revenue, Fiscal Year End 5/31/85: $40,929,842

PAYCHEX, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	5/85	5/84	5/83	5/82	5/81
Revenue	$40,930	$31,691	$23,837	$16,583	$11,026
. Percent increase from previous year	29%	33%	44%	50%	74%
Income before taxes	$ 4,770	$ 4,362	$ 2,600	$ 686	$ 212
. Percent increase from previous year	9%	68%	279%	224%	153%
Loss from discontinued operations (a)	-	$ 753	-	-	-
Net income	$ 2,982	$ 2,023	$ 1,344	$ 631	$ 196
. Percent increase from previous year	47%	50%	113%	222%	149%
Earnings per share	$ 0.53	$ 0.37	$ 0.27	$ 0.13	$ 0.04
. Percent increase from previous year	43%	37%	108%	225%	150%

(a) JOBLINE, the computerized personnel recruiting service, introduced in September 1983, was discontinued in the fourth quarter of fiscal 1984, as the program did not meet with the company's revenue and profit expectations.

SOURCE OF REVENUE

- One hundred percent of Paychex's fiscal 1985 revenue was derived from payroll processing and payroll tax preparation services for businesses with 1 to 100 employees. At fiscal year end the client base exceeded 46,000.

*Replaces Financial Update of August 1984

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FINANCIAL UPDATE TO HIGHLIGHT DATED OCTOBER 1983

PAYCHEX, INC.
275 Lake Avenue
Rochester, NY 14608
(716) 647-3510

B. Thomas Golisano, President and CEO
Public Corporation, OTC
Total Employees: 975 (595 full-time, 380 part-time)
Total Revenue, Fiscal Year End 5/31/84: $31,690,632

PAYCHEX, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

FISCAL YEAR / ITEM	5/84	5/83	5/82	5/81	5/80
Revenue	$31,691	$23,837	$16,583	$11,026	$6,347
. Percent increase from previous year	33%	44%	50%	74%	N/A
Income (loss) before taxes	$ 4,362	$ 2,600	$ 686	$ 212	$ (397)
. Percent increase from previous year	68%	279%	224%	153%	N/A
Net income (loss)	$ 2,023	$ 1,344	$ 631	$ 196	$ (397)
. Percent increase from previous year	50%	113%	222%	149%	N/A
Earnings (loss) per share	$ 0.37	$ 0.27	$ 0.13	$ 0.04	$ (0.08)
. Percent increase from previous year	37%	108%	225%	150%	N/A

SOURCE OF REVENUE

- One hundred percent of Paychex's fiscal 1984 revenue was derived from payroll processing and payroll tax preparation services for businesses with 1 to 100 employees. At fiscal year end the client base exceeded 38,000.
- JOBLINE, the computerized personnel recruiting service, introduced in September 1983, was discontinued in the fourth quarter as the program did not meet with the company's revenue and profit expectations.

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COMPANY HIGHLIGHT

PAYCHEX, INC.
275 Lake Avenue
Rochester, NY 14608
(716) 647-3510

B. Thomas Golisano, President
Public Corporation, OTC
Total Employees: 850 (520 full-time, 330 part-time)
Total Revenue, Fiscal Year End 5/31/83: $23,837,236

THE COMPANY

- Paychex, founded in 1979, provides batch payroll processing services to small- and medium-sized businesses.

- On August 26, 1983, Paychex made an initial public offering of 700,000 shares of common stock, including the underwriters' over-allotment of 100,000 shares.

 - Net proceeds to Paychex of $7 million will be used to purchase new computer equipment, repay indebtedness, and provide increased working capital.

 - An additional 400,000 shares were sold at this offering by shareholders.

- Fiscal 1983 revenue reached $23.8 million, a 44% increase over fiscal 1982 revenue of $16.6 million. Net income rose 113% from $631,000 in fiscal 1982 to $1.3 million in fiscal 1983. A four-year financial summary follows.

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PAYCHEX, INC.
FOUR-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	5/83	5/82	5/81	5/80
Revenue	$23,837	$16,583	$11,026	$6,347
. Percent increase from previous year	44%	50%	74%	N/A
Income (loss) before taxes	$ 2,600	$ 686	$ 212	$ (397)
. Percent increase from previous year	279%	224%	153%	N/A
Net income (loss)	$ 1,344	$ 631	$ 196	$ (397)
. Percent increase from previous year	113%	222%	149%	N/A
Earnings (loss) per share	$ 0.27	$ 0.13	$ 0.04	$ (0.08)
. Percent increase from previous year	108%	225%	150%	N/A

- Paychex management attributes revenue growth to expansion of its customer base at existing branch offices and to the company's emphasis on opening additional offices around the country.

- Revenue for the first quarter of fiscal 1984 ended August 31, 1983, was $7.5 million, a 42% increase over $5.3 million for the same period in fiscal 1983. Net income for the period increased 98% to $609,000 from $307,000.

- On July 31, 1982, Paychex purchased all of the common stock of The Payroll Group, Inc. of Detroit for $235,280 and 140,300 shares of Paychex common stock.

 - The Payroll Group provided payroll preparation processing services to small- and medium-sized businesses.

 - The Payroll Group had 20 employees at the time of the acquisition and annual revenue of approximately $900,000. Its operations were merged into Paychex.

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- As of May 31, 1983, Paychex had 850 employees, including 520 full-time and 330 part-time. The company currently has approximately 900 employees, segmented as follows:

Marketing/sales	130
Customer support	375
Computer operations	240
Research and development	20
General and administrative	135
	900

- Paychex's major competitor is Automatic Data Processing, Inc. Paychex also competes with banks and smaller independent companies.

KEY PRODUCTS AND SERVICES

- One hundred percent of Paychex's fiscal 1983 revenue was derived from batch processing services.

- Paychex provides batch payroll services to more than 32,000 small- to medium-sized businesses nationwide.

 - Paychex markets its services principally to businesses employing fewer than 100 persons; the average client has approximately 22 employees.

 - Once a business becomes a Paychex client, Paychex personnel convert the client's payroll records to the Paychex computer. Thereafter the client, with one telephone call to a Paychex branch office each payroll period, reports the payroll hours per employee and any personnel or compensation changes.

 - Paychex then prepares the paychecks, which show year-to-date earnings and deductions, payroll journals and earnings, and deduction summaries. These items are available for delivery to the client the next morning.

 - Delivery is provided by mail, courier, or customer pick-up.

 - Paychex notifies each client of the amount and due date of all required federal, state, and local payroll tax deposits.

 . Four times a year Paychex prepares for each client Form 941 (Employer's Quarterly Federal Tax Return), state unemployment insurance returns, state quarterly wage returns, deposit for federal unemployment insurance, and any required local tax returns and deposits.

 - For each client, Paychex annually prepares the following forms: W-2s, W-3 (Transmittal of Income and Tax Statements), reconciliation of

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state tax withheld, and Form 940 (Federal Unemployment Insurance Return). All such forms and returns are balanced and reconciled.

- Paychex also furnishes detailed employee earnings ledgers, which enable the client to review a full year's earnings history for each employee.

- Approximate pricing for clients with weekly payrolls, which includes all services except delivery, is as follows:

	Total Per Payroll Charge	Per Employee
Minimum	$ 7.00	-
10 employees	13.00	$1.30
25 employees	24.00	0.96
50 employees	36.00	0.72
100 employees	60.00	0.60

- Paychex does not have written contracts with any of its clients. Approximately 80% of the businesses that were Paychex clients in fiscal 1981 or 1982 continued to be clients in the succeeding fiscal year.

- On September 19, 1983, Paychex introduced a batch computerized personnel recruiting service in the Boston area. This service, JOBLINE, will use a data base of information on persons seeking employment, matching their skills with employers' job requirements.

INDUSTRY MARKETS

- Virtually all of Paychex's fiscal 1983 revenue was derived from small- and medium-sized businesses employing fewer than 100 persons.

 - Approximately 60% of the company's 30,000 clients employ 15 persons or fewer.

 - Clients include restaurants, physicians, dentists, attorneys, and other professionals.

GEOGRAPHIC MARKETS

- One hundred percent of Paychex's fiscal 1983 revenue was derived from the U.S.

- Paychex currently operates 52 branch offices in 44 major metropolitan areas across the U.S.

 - Within the next 24 months Paychex plans to open branch offices in eight additional metropolitan areas.

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COMPUTER HARDWARE AND SOFTWARE

- Paychex processing is decentralized, with 42 of the company's 52 branch offices using IBM System 3 Model 5412 or 5415 equipment.
 - The company plans to open five new payroll processing centers in the U.S. during late October.

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COMPUTER HARDWARE AND SOFTWARE

- Paychex processing is decentralized, with 42 of the company's 52 branch offices using IBM System 3 Model 5412 or 5415 equipment.
 - The company plans to open five new payroll processing centers in the U.S. during late October.

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PAY-FONE SYSTEMS, INC.

8100 Balboa Boulevard
Van Nuys, CA 91406
Phone: (818) 997-0808
Fax: (818) 787-1850

Chairman:	Richard Kelton
President & CEO:	Mark Leekley
Status:	Public Corporation
Stock Exchange:	AMEX
Total Employees:	77 (Full-Time)
Total Revenue:	$4,505,111
Fiscal Year End:	6/30/93

Key Points

- Pay-Fone Systems, Inc. has provided payroll processing services to the business community for more than 38 years. Since 1988, the company has done business under the name Precision Payroll[SM].
- Despite a 13% decline in revenues during fiscal 1993, earnings reached $151,015, the highest in six years, due to cost containment programs and the discontinuance or sale of nonprofitable business activities, including its New York payroll business.
- Pay-Fone has acquired two payroll businesses in California, increasing its client base by approximately 300 clients.
- During fiscal 1993, Pay-Fone introduced its Premium Only Plan, a Section 125 Benefits Service cafeteria plan.
- In September 1993, Mark Leekley was appointed president and chief executive officer. Mr. Leekley previously was chief operating officer and chief financial officer at Pay-Fone.

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Company Description

Pay-Fone Systems provides payroll processing services, primarily in California, to more than 4,000 businesses in a variety of industries.

Strategy

Pay-Fone's strategy for growth during fiscal 1994 is to increase sales and marketing efforts and to seek acquisitions of small payroll companies.

The company's mission is 100% customer satisfaction in meeting the payroll processing needs of organizations.

Financials

Fiscal 1993 revenue was $4.5 million, a 13% decrease from fiscal 1992 revenue of nearly $5.2 million. Net income reached $151,015, a 36% increase over net income of $110,596 for fiscal 1992. A five-year financial summary follows:

PAY-FONE SYSTEMS, INC
FIVE-YEAR FINANCIAL SUMMARY
($ Thousands, except per share data)

	FISCAL YEAR				
ITEM	6/93	6/92	6/91	6/90	6/89
Revenue	$4,505	$5,186	$5,248	$5,504	$6,022
· Percent change from previous year	(13%)	(1%)	(5%)	(9%)	(1%)
Income (loss) before taxes and extraordinary items	$246	$122	$(194)	$(235)	$54
· Percent change from previous year	102%	163%	17%	(535%)	(57%)
Net income (loss)	$151	$111 *	$(195)	$(202)	$38
· Percent change from previous year	36%	157%	3%	(632%)	(60%)
Earnings (loss) per share	$0.10	$0.07	$(0.13)	$(0.13)	$0.03
· Percent change from previous year	43%	154%	--	(533%)	(50%)

* *Includes a $28,200 income tax benefit from utilization of net operating loss carryforward.*

Revenue declines over the past several years were due to the sale or discontinuation of portions of the company's business outside California that were not profitable, including the sale of the New York payroll business and termination of its franchise relationships in Greenville (SC) and Mobile (AL) which cumulatively contributed 5.5% to fiscal 1992 revenues.

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- Although the number of clients remained approximately the same for fiscal 1993, a significant portion of reduced revenue was also due to lower average revenue per client, caused by a decrease in the number of employees (hence paychecks) of existing and new clients. Pay-Fone management believes this is due in part to prevailing economic and employment conditions in California.

- The improvement in net income in fiscal 1993, despite the reduction in revenues, was primarily due to Pay-Fone's successful program of aggressive cost controls and a reduction in sales, marketing and advertising expenses.

Revenue for the three months ending September 30, 1993 was $1.05 million, down slightly from $1.1 million for the same period in 1992. Net losses were $7,270 compared to net income of $45,215 for the same period a year ago. The losses, which were smaller than the losses of $49,720 for the most recent preceding quarter, were due to increased sales and marketing expenses.

Market Financials

Pay-Fone generates its revenue from a variety of industry segments, typically from businesses with one to 1,000 employees.

One hundred percent of Pay-Fone's fiscal 1993 revenue was derived from processing services.

Geographic Markets

Pay-Fone derives 100% of its revenue from the U.S. Clients are located principally in the following metropolitan areas:

Los Angeles/Orange County	74%
San Francisco Bay Area	17%
San Diego	9%
	100%

California offices are located in Aptos, Burlingame, Cerritos, San Diego and Van Nuys.

Acquisitions

During fiscal 1993, Pay-Fone acquired two small payroll companies in California with a combined client-base of approximately 300 clients. One key acquisition increases the company's client base in Northern California by approximately 50%.

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Divestitures

During fiscal 1992, Pay-Fone sold its New York payroll processing operations to Payroll Group/PCS Computer Services, a small New Jersey-based start-up company, for $75,000 plus additional payments based on retained clients. In fiscal 1992, the New York office provided approximately 4% of Pay-Fone's total revenues.

Also during fiscal 1992, Pay-Fone discontinued its franchise operations in Greenville (SC) and Mobile (AL). These franchise activities contributed 1.1% to Pay-Fone's total fiscal 1992 revenue.

Employees

As of September 1993, Pay-Fone had 77 full-time and four part-time employees.

Key Products and Services

Payroll processing services are provided to customers on a weekly, biweekly, semimonthly or monthly basis. Customers are billed monthly by Pay-Fone.

Clients transmit payroll data to Pay-Fone offices via one of the following methods:

- Call-A-Check℠, a direct telephone call to a Pay-Fone specialist
- FAX-A-CHECK℠ service, transmitting payroll data via a facsimile machine directly to a Pay-Fone customer service branch where a specialist inputs the information into the system
- TouchTone® service via a standard touch-tone telephone or a Pay-Fone TouchTone terminal
- PayMate™ and MICRO-HOST™ services, in which data is transmitted via a modem, using either Pay-Fone's MICRO-HOST or PayMate software package with the client's own microcomputer or a PayMate (IBM compatible) computer provided by Pay-Fone

Computer Hardware:

Pay-Fone has one IBM 4341 mainframe computer operating under MVS at its data center located in Van Nuys (CA).

Each office has IBM 386-based systems used to receive client data and retransmit to the data center.

Clients access Pay-Fone's network via telephone lines.

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Marketing and Sales

Pay-Fone markets its services through its own sales force, with 18 salespersons, including four field branch managers, one corporate vice president and one corporate administrator.

Competition

Major competitors include Automatic Data Processing, Inc., Ceridian Corporation (formerly Control Data) and Paychex.

Other competition comes from various local corporations that provide services comparable to those offered by Pay-Fone.

INPUT Assessment

In a highly competitive market segment with pricing pressure, INPUT believes that Pay-Fone is ready to turn around last year's revenue decrease with an aggressive acquisition strategy and a renewed committment to client service.

Pay-Fone has also stayed focused on its core business strategy, serving the needs of small to medium businesses, a segment that accounts for 80% of businesses in the U.S.

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PAY-FONE SYSTEMS, INC.
8100 Balboa Boulevard
Van Nuys, CA 91406
(818) 997-0808

Richard Kelton, Chairman
Guy Lundberg, President and CEO
Public Corporation, AMEX
Total Employees: 89 (Full-Time)
Total Revenue, Fiscal Year End 6/30/90: $5,503,930

The Company

Pay-Fone Systems, Inc., incorporated in California in 1970, provides payroll processing services primarily in California and New York.

Fiscal 1990 revenue was $5.5 million, a 9% decrease from fiscal 1989 revenue of $6.0 million. Net losses for the year were $202,151, compared to net income of $38,000 for fiscal 1989. A five-year financial summary follows:

PAY-FONE SYSTEMS, INC
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

	FISCAL YEAR				
ITEM	6/90	6/89	6/88	6/87	6/86
Revenue	$5,504	$6,022	$6,110	$6,718	$6,954
• Percent increase (decrease) from previous year	(9%)	(1%)	(9%)	(3%)	(1%)
Income (loss) before taxes	$(235)	$54	$125	$(242)	$451
• Percent increase (decrease) from previous year	(535%)	(57%)	152%	(154%)	314%
Net income (loss)	$(202)	$38	$96	$(57)	$305
• Percent increase (decrease) from previous year	(632%)	(60%)	268%	(81%)	47%
Earnings (loss) per share	$(0.13)	$0.03	$0.06	$(0.04)	$0.21
• Percent increase (decrease) from previous year	(533%)	(50%)	250%	(119%)	50%

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Revenue declines are attributed to the following:

- Over the past fiscal year, Pay-Fone experienced a decrease of approximately 5% in its number of clients due to the lack of new sales sufficient to replace client attrition.

- As has been the condition of the past several years, Pay-Fone has experienced a reduction in the average revenue per client due to the combination of an increasing percent of smaller clients using the company's service, an increasing percent of sales to new clients of lower cost services, and the migration of existing clients from higher to lower cost services.

Fiscal 1990 net losses were attributed to the decline in revenue and higher than anticipated expenditures in the area of customer service.

- Management believes these expenditures were necessary to ensure continued customer satisfaction with Pay-Fone's services.

Revenue for the three months ending September 30, 1990 was $1.27 million, an 11% decrease from $1.42 million for the same period in 1989. Net losses were $105,284, compared to net losses of $31,069 for the same period a year ago.

- Declining revenue was attributed to the same factors that affected fiscal 1990 results.

As of September 1990, Pay-Fone had approximately 89 full-time and five part-time employees.

Major competitors include Automatic Data Processing, Inc., Control Data Corporation, and banks located throughout the U.S., such as Bank of America, that offer computerized payroll services. Other competition comes from various local corporations that provide services comparable to those offered by Pay-Fone.

Key Products and Services

Over 98% of Pay-Fone's fiscal 1990 revenue was derived from processing services. The remaining 1.3% was derived from distributors and franchisees.

As of September 1990, Pay-Fone had approximately 3,400 clients, compared to 3,600 clients as of September 1989.

Payroll processing services are provided to customers on a weekly,

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biweekly, semimonthly, or monthly basis. Customers are billed monthly by Pay-Fone.

Clients transmit payroll data to Pay-Fone offices via one of the following methods:

- Call-A-Check℠, a direct telephone call to a Pay-Fone specialist
- TouchTone® service via a standard touch-tone telephone or a Pay-Fone terminal
- FAX-A-CHECK℠ service, transmitting payroll data via a facsimile machine directly to a Pay-Fone customer service branch where a specialist inputs the information into the system
- PayMate™ and MICRO-HOST™ services, data is transmitted via a modem, using either Pay-Fone's MICRO-HOST or PayMate software package with the client's own microcomputer or a PayMate (IBM compatible) computer provided by Pay-Fone

Industry Markets

Pay-Fone generates its revenue from a variety of industry segments, typically from businesses with ten or more employees.

Geographic Markets

Pay-Fone derives 100% of its revenue from the U.S. A further breakdown of revenue by metropolitan area follows:

Los Angeles	71%
San Francisco	17%
San Diego	9%
New York	3%
	100%

California offices are located in Van Nuys, Cerritos, San Diego, El Monte, West Los Angeles, Ventura, San Francisco, and San Jose. Pay-Fone also has an office in New York City.

Distributor and franchise operations contributed 1.3% to Pay-Fone's fiscal 1990 revenue. Pay-Fone currently has two franchises in Greenville (SC) and Mobile (AL). Pay-Fone has terminated its relationship with its Sacramento distributor.

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Computer Hardware

Pay-Fone has one IBM 4341 mainframe computer operating under MVS at its data center located in Van Nuys (CA).

Each office has IBM 386-based systems used to receive client data and retransmit to the data center.

Clients access Pay-Fone's network via telephone lines.

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PAY-FONE SYSTEMS, INC.
8100 Balboa Boulevard
Van Nuys, CA 91406
(818) 997-0808

Richard Kelton, Chairman
Guy Lundberg, President and CEO
Public Corporation, AMEX
Total Employees: 99 (Full-Time)
Total Revenue, Fiscal Year End
6/30/89: $6,021,626

The Company

Pay-Fone Systems, Inc., incorporated in California in 1970, provides payroll processing services to various industries.

During fiscal 1988, Pay-Fone management implemented several changes to increase sales growth and reduce expenditures.

- Since mid-1988, the company has been marketing its services under the name "Precision Payroll" to more closely identify the company with its payroll processing business.
- In July 1988, Pay-Fone transferred the clients serviced by its Atlanta branch office to its Greenville (SC) franchise and closed its Atlanta office. The transfer of this operation, involving less than 1% of Pay-Fone's client base, increased franchise net revenue, and terminated losses incurred in attempting to service this area under direct supervision from California.
- In November 1988, Pay-Fone sold the payroll accounts of its Chicago office (involving less than 2% of Pay-Fone's client base) to Automated Services, Inc. and closed the Chicago office.
- During early and mid-1989, Pay-Fone consolidated some of its California offices.

Fiscal 1989 revenue was $6 million, a 1% decrease from fiscal 1988 revenue of $6.1 million. Net income declined 60%, from $95,653 in fiscal 1988, to $37, 972 in fiscal 1989. A five-year financial summary follows:

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PAY-FONE SYSTEMS, INC
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

	FISCAL YEAR				
ITEM	6/89	6/88	6/87	6/86	6/85
Revenue	$6,022	$6,110	$6,718	$6,954	$7,005
• Percent increase (decrease) from previous year	(1%)	(9%)	(3%)	(1%)	30%
Income (loss) before taxes	$54	$125	$(242)	$451	$109
• Percent increase (decrease) from previous year	(57%)	152%	(154%)	314%	113%
Net income (loss)	$38	$96	$(57)	$305	$208
• Percent increase (decrease) from previous year	(60%)	268%	(81%)	47%	134%
Earnings (loss) per share	$0.03	$0.06	$(0.04)	$0.21	$0.14
• Percent increase (decrease) from previous year	(50%)	250%	(119%)	50%	110%

Fiscal 1989 revenue declines were attributed to management's decisions to decrease W-2 billing income to adjust to competitive pricing and to convert the Atlanta operation from a company branch to a distributor operation.

Declines in fiscal 1989 net income resulted from management's commitment to increase expenses for research and development, advertising, sales representative staffing, training, and compensation.

Revenue for the three months ending September 30, 1989 was $1.42 million, compared to $1.46 million for the same period in 1988. Net losses were $30,069, compared to net income of $42,823 for the same period a year ago. Losses were attributed to increased expenses for research and development, recruiting, and one-time costs incurred in location consolidations.

As of September 1989, Pay-Fone had approximately 99 full-time and three part-time employees. The company currently has about 105 employees.

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Major competitors include Automatic Data Processing, Inc., Control Data Corporation, and banks located throughout the U.S., such as Bank of America, that offer computerized payroll services. Other competition comes from various local corporations that provide services comparable to those offered by Pay-Fone.

Key Products and Services

Over 98% of Pay-Fone's fiscal 1989 revenue was derived from processing services. The remaining 2% was derived from distributors and franchisees.

Pay-Fone currently has approximately 3,600 clients in the U.S.

Payroll processing services are provided to customers on a weekly, biweekly, semimonthly, or monthly basis. Customers are billed monthly by Pay-Fone.

Clients transmit payroll data to Pay-Fone offices via one of the following methods:

- Call-A-Check℠, a direct telephone call to a Pay-Fone specialist
- TouchTone service via a standard touch-tone telephone or a Pay-Fone terminal
- PayMate™ service, using Pay-Fone's MICRO-HOST™ or PayMate software and the client's own microcomputer or a PayMate (IBM compatible) computer provided by Pay-Fone

Industry Markets

Pay-Fone generates its revenue from a variety of industry segments, typically from businesses with ten or more employees.

Geographic Markets

Pay-Fone derives 100% of its revenue from the U.S. A further breakdown of revenue by metropolitan area follows:

Los Angeles	69%
San Francisco	18%
San Diego	7%
New York	4%
Other	2%
	100%

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California offices are located in Van Nuys, San Francisco, Cerritos, San Diego, El Monte, West Los Angeles, Ventura, and San Jose. Pay-Fone also has an office in New York City.

Distributor and franchise operations contributed 2% to Pay-Fone's fiscal 1989 revenue. Pay-Fone has one independent distributor in Sacramento (CA) and two franchises in Greenville (SC) and Mobile (AL).

Computer Hardware

Pay-Fone has one IBM 4341 mainframe computer operating under MVS at its data center located in Van Nuys (CA).

Each office has IBM 386-based systems used to receive client data and retransmit to the data center.

Clients access Pay-Fone's network via telephone lines.

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PAY-FONE SYSTEMS, INC.
8100 Balboa Boulevard
Van Nuys, CA 91406
(818) 997-0808

Richard Kelton, Chairman
Guy Lundberg, President and CEO
Public Corporation, AMEX
Total Employees: 120
Total Revenue, Fiscal Year End
6/30/87: $6,717,645

The Company

Pay-Fone Systems, Inc., incorporated in California in 1970, provides payroll processing services to various industries.

- Pay-Fone also offers MICRO/HOST™, a data entry software interface that allows clients to use a microcomputer to transmit payroll data to Pay-Fone's data center for processing.

Fiscal 1987 revenue reached $6.7 million, a 3% decrease from fiscal 1986 revenue of $6.9 million. Net losses of $57,021 were due primarily to Pay-Fone's management changes during fiscal 1987. A five-year financial summary follows:

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PAY-FONE SYSTEMS, INC
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

	FISCAL YEAR				
ITEM	6/87	6/86	6/85	6/84	6/83
Revenue	$6,718	$6,954	$7,005	$5,405	$4,715
• Percent increase (decrease) from previous year	(3%)	(1%)	30%	15%	3%
Income (loss) before taxes	$(242)	$451	$109	$(821)	$246
• Percent increase (decrease) from previous year	(154%)	314%	113%	(434%)	(59%)
Net income (loss)	$(57)	$305	$208	$(606)	$222
• Percent increase (decrease) from previous year	(81%)	47%	134%	(373%)	(40%)
Earnings (loss) per share	$(0.04)	$0.21	$0.14	$(1.41)	$0.15
• Percent increase (decrease) from previous year	(119%)	50%	110%	(373%)	(42%)

Revenue for the six months ending December 31, 1987 was $3 million, a 21% decrease from $3.6 million for the same period in 1986. Net income was $24,532 as compared with net income $144,229 in 1986.

As of June 30, 1987, Pay-Fone employed 120 persons, segmented as estimated by INPUT as follows:

Marketing and sales	30
Customer service	40
Data processing	20
Engineering, development, and production	15
General and administrative	15
	120

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Major competitors include Automatic Data Processing, Inc., Control Data Corporation (Business Center), and banks located throughout the U.S., such as Bank of America, which offer computerized payroll services. Other competition comes from various local corporations that provide services comparable to those offered by Pay-Fone.

Key Products and Services

Approximately 90% of Pay-Fone's fiscal 1987 revenue was derived from remote batch processing services. The remaining 10% was derived from the licensing of MICRO/HOST, a data entry software interface.

- Pay-Fone currently has over 3,500 customers in the U.S.

Payroll processing services are provided to customers on a weekly, biweekly, semimonthly, or monthly basis.

- Transmission devices available to clients for data entry include the following:
 - Touch-tone telephone.
 - The Pay-Fone Terminal has an adding machine keyboard along with a display where the digits are shown and can be verified before they are transmitted.
 - The Calculator/Terminal accomplishes the same function as the Pay-Fone Terminal and also provides an adding machine tape for customers records.

MICRO/HOST is a data entry software interface that allows clients to transmit payroll data via IBM and compatible microcomputers running under MS-DOS or CP/M.

- MICRO/HOST licenses are available for a flat fee of $300 per customer, including support services and updates.

Industry Markets

Pay-Fone generates its revenue from a variety of industry segments, typically from businesses with ten or more employees.

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Geographic Markets

Pay-fone derives 100% of its revenue from the U.S. A further breakdown of revenue by metropolitan area follows:

Los Angeles	68%
San Francisco	19%
San Diego	8%
New York	3%
Chicago	1%
Atlanta	1%
	100%

California branch offices are in Anaheim, Carson, El Monte, San Diego, San Fernando Valley, Santa Monica, San Francisco, and Sunnyvale. Pay-Fone also has branch offices in Atlanta, Chicago, and New York.

Computer Hardware

Pay-Fone has one IBM 4341 mainframe computer operating under MVS at its data center located in Van Nuys (CA).

Each office has Z80-based, CP/M compatible microprocessors used to receive client data and retransmits to the data center.

Clients access Pay-Fone network via telephone lines.

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COMPANY PROFILE

PAY-FONE SYSTEMS, INC.
11255 West Olympic Boulevard
West Los Angeles, CA 90064
(213) 473-2935

Lewis Greenwood, President
Public Corporation, AMEX
Total Employees: 204
Total Revenue, Fiscal Year End 6/30/84: $5,405,386

THE COMPANY

- Pay-Fone Systems, Inc., incorporated in California in 1970, provides payroll and accounting processing services.
- Strategic new directions for Pay-Fone include the following:
 - During 1983 the company introduced MICRO/HOST T.M., a data entry software interface that allows clients to use a microcomputer to transmit payroll data to Pay-Fone's data center for processing.
 - Pay-Fone is currently developing an extended family of MICRO/HOST accounting packages.
 - The company is expanding its franchise operations in California and the Southeastern U.S.
- Fiscal 1984 revenue reached $5.4 million, a 15% increase over fiscal 1983 revenue of $4.7 million. Net losses of $606,000 were due primarily to increased customer acquisition costs, reflecting the company's investment in future growth.
 - Effective July 1, 1983, Pay-Fone changed its method of accounting for customer acquisition costs (which include salespersons' salaries, commissions, promotion, and advertising). These expenses are now charged to operations as incurred and not capitalized and amortized as in prior years.
 - In the five-year financial summary that follows, fiscal 1984 results include the cumulative effect on prior years from changing to the new accounting method. The effect of this change was to decrease 1984 net income by $257,535 or $0.18 per share.

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PAY-FONE SYSTEMS, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	6/84	6/83	6/82	6/81	6/80
Revenue	$5,405	$4,715	$4,594	$4,509	$3,935
. Percent increase from previous year	15%	3%	2%	15%	31%
Income (loss) before taxes	$ (821)	$ 246	$ 604	$ 961	$ 842
. Percent increase (decrease) from previous year	(434%)	(59%)	(37%)	14%	45%
Net income (loss)	$ (606)	$ 222	$ 371	$ 558	$ 478
. Percent increase (decrease) from previous year	(373%)	(40%)	(34%)	17%	43%
Earnings (loss) per share	$ (0.41)	$ 0.15	$ 0.26	$ 0.45	$ 0.48
. Percent increase (decrease) from previous year	(373%)	(42%)	(42%)	(6%)	41%

- Pay-Fone management attributes revenue growth in fiscal 1984 primarily to a larger customer base (approximately an 8% increase) and an increase in the size of the average customer. A lesser portion of revenue growth was attributed to price increases effective July 1, 1983.

- Net losses were attributed to the following:

 - Customer acquisition costs increased to over $2.2 million in fiscal 1984, as compared to $841,833 in fiscal 1983 and $718,839 in fiscal 1982. These increases were due to larger expenditures for franchise development, sales advertising, and sales personnel, all charged to operations as incurred during 1984. As shown below in the six-month results for fiscal 1985, these expenditures were an investment in sales growth for the company.

 - As stated previously, due to a change in accounting procedures a one-time adjustment of $252,620 was charged against income, resulting in a $257,535 decrease in net income.

- Revenue for the six months ending December 31, 1984 was $3.7 million, a 37% increase over $2.7 million for the same period in 1983. Net income was $188,037 as compared with net losses of $135,070 in 1983.

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- As of June 30, 1984, the company had 204 employees. There are currently approximately 200 employees, segmented as follows:

Marketing	97
Customer service	56
Data processing	15
Engineering, development, and production	14
Corporate administration	18
	200

- Major competitors include Automatic Data Processing, Inc., Control Data Corporation (Business Centers), and banks located throughout the U.S., such as Bank of America, which offer computerized payroll services. Other competition comes from various local corporations that provide services comparable to those offered by Pay-Fone Systems.

KEY PRODUCTS AND SERVICES

- Approximately 98% of Pay-Fone's fiscal 1984 revenue was derived from remote batch processing services. The remaining 2% was derived from the licensing of MICRO/HOST, a data entry software interface.
 - Approximately 78% of remote computing revenue was derived from payroll processing and 22% from general accounting services.
 - Pay-Fone currently has over 6,000 customers and typically markets its services to companies with 15 to 200 employees.
- Payroll processing services are provided to customers on a weekly, biweekly, semimonthly, or monthly basis.
 - Transmission devices available to clients for data entry include the following:
 - Touch-tone telephone.
 - The Pay-Fone Terminal has an adding machine keyboard along with a display where the digits are shown and can be verified before they are transmitted.
 - The Calculator/Terminal accomplishes the same function as the Pay-Fone Terminal and also provides an adding machine tape for customers records.
 - An IBM-compatible microcomputer. In June 1983 Pay-Fone introduced MICRO/HOST, a data entry software interface that allows clients to transmit payroll data via an IBM-compatible microcomputer running under MS-DOS or CP/M.

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- MICRO/HOST licenses are available for a flat fee of $300 per customer, including support services and updates. There are currently over 300 clients using MICRO/HOST.

- Using MICRO/HOST, clients can store and print out all data that appears on the microcomputer screen.

- Payroll data entered at the customer site is relayed to the nearest Pay-Fone branch office and then transmitted to the corporate data center for processing. Within 24 hours of transmission, paychecks and check stubs are delivered by special delivery mail.

- Payroll processing fees range from $0.50 to $1.00 per check, and average $0.62.

- During 1984 Pay-Fone provided payroll processing services to the Los Angeles Olympic Organizing Committee. Using the MICRO/HOST interface, up to 40,000 payroll checks per week were processed.

- Pay-Fone derives approximately 22% of its revenue from other accounting services.

 - Management reports available include check registers, departmental breakdowns, workers' compensation, union data, labor distribution, and job cost accounting.

 - Tax reports available include all local, state, and federal tax computations and a prepared check ready for signature, individual earnings reports, quarterly tax returns, 940s, and W-2 forms for customer employees. Pay-Fone will provide time cards for the next pay period.

 - Accounts payable, accounts receivable, and general ledger processing are also available.

- Pay-Fone is currently developing and testing an extended family of MICRO/HOST products, including a general ledger and accounts payable/accounts receivable package. Availability is scheduled for early 1986.

INDUSTRY MARKETS

- Pay-Fone derives its revenue from a wide variety of industry segments, typically from businesses with 10 or more employees.

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GEOGRAPHIC MARKETS

- Pay-Fone derived 100% of its fiscal 1984 revenue from the U.S. A further breakdown of revenue by metropolitan area follows:

Los Angeles	33%
San Francisco	20
San Diego	10
Chicago	2
New York	4
Atlanta	1
Other	30
	100%

- California branch offices are in San Diego, Hollywood/Burbank, Carson, Anaheim, El Monte, San Francisco, and San Jose. Pay-Fone also has branch offices in Chicago, New York City and Atlanta.

- Pay-Fone franchises, which contributed approximately 2% to fiscal 1984 revenue, are located in Sacramento (CA), Atlanta (GA), Greenville (SC), Birmingham and Mobile (AL), and Chattanooga (TN).

COMPUTER HARDWARE AND SOFTWARE

- Pay-Fone Systems' data center, located in North Hollywood (CA), has one IBM 370/145 operating under DOS.

- Each office has a Z80-based, CP/M-compatible microprocessor used to receive client data and retransmit to the data center.

- Clients access Pay-Fone Systems' network via telephone lines.

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FINANCIAL UPDATE TO HIGHLIGHT DATED NOVEMBER 1982

PAY-FONE SYSTEMS, INC.
11255 West Olympic Boulevard
West Los Angeles, CA 90064
(213) 473-2935

Lewis Greenwood, President
Public Corporation, AMEX
Total Employees: 115
Total Revenue, Fiscal Year End 6/30/83: $4,715,390

PAY-FONE SYSTEMS, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	6/83	6/82	6/81	6/80	6/79
Revenue	$4,715	$4,594	$4,509	$3,935	$2,996
. Percent increase from previous year	3%	2%	15%	31%	42%
Income before taxes	$ 246	$ 604	$ 961	$ 842	$ 580
. Percent increase (decrease) from previous year	(59%)	(37%)	14%	45%	106%
Net income	$ 222	$ 371	$ 558	$ 478	$ 335
. Percent increase (decrease) from previous year	(40%)	(34%)	17%	43%	88%
Earnings per share	$ 0.15	$ 0.26	$ 0.45	$ 0.48	$ 0.34
. Percent increase (decrease) from previous year	(42%)	(42%)	(6%)	41%	89%

SOURCE OF REVENUE

- One hundred percent of Pay-Fone's fiscal 1983 revenue was derived from remote batch processing services.
 - Approximately 96% of revenue was from payroll processing and 4% from general accounting services.

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COMPANY HIGHLIGHT

PAY-FONE SYSTEMS, INC.
11255 West Olympic Boulevard
West Los Angeles, CA 90064
(213) 473-2935

Lewis Greenwood, President
Public Corporation, AMEX
Total Employees: 130
Total Revenue, Fiscal Year End
6/30/82: $4,594,058

THE COMPANY

- Pay-Fone Systems, Inc., incorporated in California in 1970, provides payroll and accounting processing services.

- Fiscal 1982 revenue was $4.6 million, a 2% increase over 1981 revenue of $4.5 million. Net income decreased 34% from $558,436 in 1981 to $370,926 in 1982. A five-year financial summary follows:

PAY-FONE SYSTEMS, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	6/82	6/81	6/80	6/79	6/78
Revenue	$4,594	$4,509	$3,935	$2,996	$2,112
. Percent increase over previous year	2%	15%	31%	42%	27%
Income before taxes	$ 604	$ 961	$ 842	$ 580	$ 282
. Percent increase (decrease) over previous year	(37%)	14%	45%	106%	N/A
Net income	$ 371	$ 558	$ 478	$ 335	$ 178
. Percent increase (decrease) over previous year	(34%)	17%	43%	88%	224%
Earnings per share	$ 0.26	$ 0.45	$ 0.48	$ 0.34	$ 0.18
. Percent increase (decrease) over previous year	(42%)	(6%)	41%	89%	260%

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- Pay-Fone management attributes income decreases to several factors:
 - In January 1982 the company unbundled its pricing structure, enabling existing and new customers to be more selective in the payroll services purchased. This, together with the overall reduced size of client payrolls, decreased Pay-Fone's revenue by approximately $30,000 per month.
 - Pay-Fone began expanding its business from regional to national status in fiscal 1982, incurring expenditures for additional personnel, equipment, and office space.
- Pay-Fone increased its customer base by approximately 18% in 1982, offsetting the effects of its price restructuring and slightly increasing revenue over the previous year.
- Revenue for the three months ending September 30, 1982 was $1.1 million and net income $8,835 as compared with revenue of $1.1 million and net income of $145,851 for the same period in 1981. Price increases effective October 1, 1982 and growth in Eastern operations is expected to increase revenue and profit in fiscal 1983.
- In January 1981 the company completed a public offering of 420,000 shares of common stock at $6.50 per share. Net proceeds have been invested in certificates of deposit, revenue bonds, and repurchase agreements. Interest income from these investments totaled $345,304 in fiscal 1982 and $175,056 in fiscal 1981.
- As of June 30, 1982, Pay-Fone Systems had 130 employees, segmented as follows:

Marketing	45
Customer service	46
Data processing	15
Engineering, development, and production	7
Corporate administration	17
	130

- Major competitors include Automatic Data Processing, Inc., Control Data Corporation (Business Centers), and banks located throughout the U.S., such as Bank of America, which offer computerized payroll services. Other competition comes from various local corporations that provide services comparable to those offered by Pay-Fone Systems.

KEY PRODUCTS AND SERVICES

- One hundred percent of Pay-Fone's fiscal 1982 revenue was derived from remote batch processing services.

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- Approximately 96% of revenue was derived from payroll processing and the 4% from general accounting services.

- Pay-Fone Systems currently has over 2,700 customers and typically markets its services to companies with over 10 employees.

- Payroll processing services are provided to customers on a weekly, biweekly, semimonthly, or monthly basis.

 - Data is entered into a Pay-Fone terminal installed at the customer site and relayed to the nearest Pay-Fone branch office and then transmitted to the corporate data center for processing.

 - Within 24 hours of transmission, paychecks and check stubs are delivered by mail to the customer.

- Pay-Fone derives approximately 4% of its revenue from other accounting services.

 - Management reports available include check registers, departmental breakdowns, workers' compensation, union data, labor distribution, and job cost accounting.

 - Tax reports available include all local, state, and federal tax computations and a prepared check ready for signature, individual earnings reports, quarterly tax returns, 940s, and W-2 forms for customer employees. Pay-Fone will provide time cards for the next pay period.

 - Accounts payable, accounts receivable, and general ledger processing are also available.

INDUSTRY MARKETS

- Pay-Fone Systems derives its revenue from a wide variety of industry segments, typically from businesses with 10 or more employees.

GEOGRAPHIC MARKETS

- Pay-Fone derived its fiscal 1982 revenue from the following metropolitan centers in California and Illinois:

Los Angeles	68%
San Francisco	21
San Diego	9
Chicago	2
	100%

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- California branch offices are in San Diego, Hollywood/Burbank, Carson, Anaheim, El Monte, San Francisco, and San Jose. In addition to its Chicago location, Pay-Fone added offices in New York City and Atlanta early in fiscal 1983.

- Pay-Fone franchises in Sacramento and Monterey (CA) did not represent a material portion of business in fiscal 1982. The company intends to offer additional franchises serving specific geographic areas.

COMPUTER HARDWARE AND SOFTWARE

- Pay-Fone Systems' data center, located in North Hollywood (CA) has one IBM 370/145 operating under DOS.

- Each office has a Z80-based, CP/M compatible microprocessor used to receive client data and retransmit to the data center.

- Clients access Pay-Fone Systems' network via telephone lines.

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COMPANY BRIEF

Cross Industry: Human Resources/Payroll

The Payroll Company, Inc.
(doing business as Payday)
One Division Street
San Francisco, CA 94103
(415) 621-7775

CEO: Russell Holdstein, President
Private Company
Founded: 1975

Employees: 50 (2/86)*
Revenue (FYE 9/30/86): $2-5 million*

The Company: Payday provides payroll processing services primarily to companies in Northern California

Sources of Revenue:
- Processing Services (100%)

Key Services:
- Processing (Utilizes Datapoint 8600 systems)
 - Batch processing
 - Applications include payroll accounting

Target Industries:
- Cross industry (100%)

Geographic Markets:
- Northern California (100%)
- Sales Offices: San Francisco and San Jose (CA)

*INPUT estimate

October 1986

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PIEDMONT SYSTEMS INCORPORATED
1116 S. Marshall Street
Winston-Salem, NC 27101
(919) 722-2168

Chuck Cloer, President
Private Company
Total Employees: 8

The Company

Piedmont Systems was founded in February 1987 to develop and market electronic data interchange (EDI) management software. The principals of Piedmont Systems have a background in application software and the distribution industry.

Key Products and Services

Piedmont Systems' EDI software product, TEL-EDI[C], was introduced in April 1988.

- TEL-EDI supports ANSI X12 standards and its subsets.
- TEL-EDI runs on single-user MS-DOS (Version 2.0 or higher) systems (IBM PC and compatibles) and low-end multiuser systems running under UNIX or Xenix.
- The general features of TEL-EDI are the following:
 - Built-in order entry/invoicing applications system.
 - On-line search capability.
 - Automatic, timed dial-out mode.
 - Transmission control reporting.
 - Multiple third-party network support.
 - Table driven--all tables user modifiable.
 - Ability to create proprietary formats and subsets.
- The TEL-EDI Base Package is priced at $2,495. The TEL-EDI Integration Option, which enables users to interface with their existing applications, is priced at $995.

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- Annual maintenance is priced at $450 for the Base Package and $650 for the Base Package with Integration Option.

- In view of TEL-EDI's recent introduction, Piedmont Systems has a only few installations. The company anticipates selling 150 to 200 packages of TEL-EDI during 1988.

Piedmont Systems' strategy focuses on developing EDI software with extensive mapping and translation features for easy integration with a client's existing applications. The company claims it can typically have an installation site-functional in one day.

- In a front-end or integrated environment, Piedmont Systems claims a unique process for mapping EDI data into applications files. With the exception of ID codes, users can specify the code set, numeric and data packing schemes, and byte locations of the data to be presented to their internal applications. This can be done in either a single, flat file, or multilevel files up to ten levels deep. The primary benefit is that users can design the TEL-EDI output file to look like one of their own records rather than pick data from a rigid format designated by the vendor's software.

Industry Markets

Piedmont Systems' customers are primarily small to medium-sized businesses. Approximately 60% are in distribution, and the remaining 40% are manufacturing companies. The company has customers in the tobacco, textile, glass, and automotive industries.

Geographic Markets

One hundred percent of Piedmont Systems' revenue is derived from the U.S. Future plans include expansion into international markets.

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PENTA SYSTEMS INTERNATIONAL, INC.
309 East Federal Street
Baltimore, MD 21202
(301) 685-7258

Charles A. Lankford, Chairman,
President, and CEO
Public Corporation, OTC
Total Employees: 136
Total Revenue, Fiscal Year End
12/31/85: $19,655,417

THE COMPANY

- Penta Systems International, Inc., incorporated in 1966, develops, markets, and supports turnkey systems for composition, processing, and electronic pagination of printed materials.

- Revenue in 1985 reached $19.7 million, an 18% decline from 1984 revenue of $24.1 million. Net losses in 1985 were $7.7 million compared to a $1.5 million loss in 1984. A four-year financial summary follows:

PENTA SYSTEMS INTERNATIONAL, INC.
FOUR-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	1985	1984	1983	1982
Revenue	$ 19,655	$ 24,054	$ 23,059	$ 19,217
. Percent increase from previous year	(18%)	4%	20%	N/A
Income (loss) before taxes	$ (8,389)	$ (2,912)	$ 3,164	$ 3,106
. Percent increase (decrease) from previous year	(188%)	(192%)	2%	N/A
Net income (loss)	$ (7,662)	$ (1,544)	$ 1,927	$ 1,990
. Percent increase (decrease) from previous year	(396%)	(180%)	(3%)	N/A
Earnings per share	$ (1.45)	$ (0.29)	$ 0.38	$ 0.44
. Percent increase from previous year	(400%)	(114%)	(14%)	N/A

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- Penta management attributes the sales decline to turmoil in the North American marketplace caused by confusion about the use of personal computers and the merging of text and graphics.

- Research and development costs were $2.1 million (10.7% of revenue) in 1985 and $2.1 million (8.5% of revenue) in 1984.

- Penta acquired Shaffstall Corporation of Indianapolis in September 1983. Shaffstall provides media conversion systems for interfaces between sources of text and text output devices. Shaffstall currently operates as a subsidiary of Penta.

 - There is a possibility that Shaffstall may be sold in order for Penta to further reduce its debt.

- Revenue for the six months ending June 30, 1986 was $11 million, an 11% increase over $9.9 million for the same period in 1985. Net income for the period was $475,000 compared to net losses of $1.8 million for the same period a year ago.

- As of December 31, 1985, Penta had 136 employees. Currently Penta has 134 employees, segmented as follows:

Marketing/sales	30
Customer service and technical support	30
Research and development	18
General and administrative	14
Shaffstall	42
	134

- Major competitors fall in three categories as follows:

 - Independent suppliers of text processing turnkey systems: Bedford Computer Corporation, Texet Corporation, Interleaf, Inc., and Xyvision, Inc.

 - Manufacturers of office automation equipment: IBM, DEC, Wang, and Xerox Corporation.

KEY PRODUCTS AND SERVICES

- Approximately 94% of 1985 revenue was derived from turnkey system sales, 4% from software support fees, and the remaining 2% from equipment maintenance fees.

- Penta's turnkey systems, marketed under the trade name PentaModulus, are based on the full line of Data General Eclipse MV hardware and Penta's application software.

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- Penta provides two types of turnkey systems as follows:
 - PentaQuick composition systems automate most of the functions necessary to produce typography.
 - PentaEditorial systems automate most of the functions necessary to edit, analyze, revise, and refine text.
- Penta offers optional software and hardware/software terminals designed to perform certain specialized text processing tasks for both editorial and composition systems. These products include:
 - Text composition products.
 - PentaPage is a software package that assembles processed text in page form and can integrate half-tone and line art with text.
 - PentaSaturn is a terminal for on-line text creation and editing.
 - PentaVision is software sold with a CAD/CAM terminal for interactive page make-up and electronic pagination. PentaVision can integrate half-tone and line art and CAD/CAM illustrations with text.
 - PentaVision+ is similar to PentaVision except that PentaVision+ includes a keyboard and mouse in addition to the puck that is standard with PentaVision. PentaVision+ also has interactive page design and editing capability.
 - PentaMath is a software package that simplifies and automates the typesetting of mathematical and scientific equations.
 - PentaPrint is a graphics software package that causes a printer/plotter to produce reading proof in similar type faces, sizes, and positioning to that of the typesetter.
 - Data base products.
 - PentaBase is a software package that accepts and processes information from external data bases provided on magnetic tape.
 - PentaSort is a software package that sorts a master data base into multiple files for typesetting of directories, catalogs, indexes, and similar publications.

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- PentaLogue is a software package that automates the selection and assembly of standard repetitive material for the typesetting of catalogs, contracts, insurance booklets, and similar publications.

- PentaSpell is a software package that checks for spelling and typographical errors.

- PentaIndex is a software package that assists in the creation of indexes.

- PentaLabel is a software package for creating labels.

. Telecommunications products.

- PentaLink is a software package that provides local and remote bi-directional communications capabilities between a Penta system and mainframe computers, mini and microcomputers, and word processors.

- PentaComm and PentaCommpc2 are software packages sold with computer terminals that permit offline text inputting and editing. Data files can be transferred directly from a floppy disk or telecommunicated.

- PentaTele/Media is a software package sold in combination with a hardware package that can accept information from floppy disks originating from a variety of word processors and personal computers. The package also permits acceptance of information from these word processors and personal computers via telecommunications.

- PentaWord is a software package based upon a word processing package licensed from a third-party vendor that operates on a Penta terminal.

. Networking/distributed processing products.

- PentaPair is a software package that permits two computers to share the same data base while providing hardware back-up. PentaPair is available for RDOS systems only.

- PentaPlus is a software package providing the attachment of a second computer for dedicated, high speed processing. PentaPlus is available for RDOS systems only.

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- AOS/DVS distributed operating system from Data General allows local area networking between computer systems.
- Xodiac communications software from Data General allows X.25 protocol telecommunications between computer systems.
- CEO Interface allows file exchange with Data General's Comprehensive Electronic Office (CEO) system.
- DeltaLink is a software package that allows exchange between RDOS-based systems (16-bit computers) and Penta's AOS/VS-based systems (32-bit computers).

- PentaModulus systems operate on the full line of Data General Eclipse MV series of superminis and minicomputers. Composition and editorial systems can be purchased separately or integrated as a single system.
 - Penta also sells software to drive a variety of output devices including second and third generation phototypesetters, laser typesetters, laser printers, and on-demand printers.
 - Penta will also drive the Postscript page description language by Adobe Systems, Inc.
- PentaModulus systems are priced from $54,900.
- Currently, there are 438 composition systems worldwide and 17 editorial systems worldwide.

INDUSTRY MARKETS

- Approximately 50% of 1985 revenue was derived from commercial typesetting companies. The remaining 50% was derived from businesses with in-house editorial and typesetting requirements, including large financial and industrial companies, service organizations, printers, and publishers.

GEOGRAPHIC MARKETS

- Approximately 70% of 1985 revenue was derived from the U.S. The remaining 30% was derived from Western Europe, South America, Asia, and Australia.
- Penta's direct sales force markets its products from sales and services offices located in Baltimore and Indianapolis (IN) in the U.S. and from Ontario, Canada; Slough, England; Paris, France; Barcelona, Spain; and Berlin, West Germany.
 - Sales support is provided by marketing and technical staff at the Baltimore headquarters, Indianapolis, and Paris offices.

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- Additional foreign sales and service are provided by independent foreign distributors and representatives in South America, Asia, and Australia.

COMPUTER HARDWARE

- Penta has a variety of Data General superminicomputers, minicomputers, and personal computers installed at its headquarters location.
 - Penta field and international offices have Data General equipment installed.

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IT2000

INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

October 1994

Pentamation Enterprises, Inc.

Chairman
& President: **Jeffrey P. Feather**
One Bethlehem Plaza
Bethlehem, PA 18018
Phone: **(215) 691-3616**
Fax: **(215) 691-1487**

Status:	Private
Employees:	160
Revenue:	$ 20,000,000
Fiscal Year End:	9/30/94

Company Description

Pentamation Enterprises, founded in 1970, provides application software products and professional services to kindergarten through high school educational institutions and state and local government.

Structure and Operations

Pentamation Enterprises is organized into three divisions as follows:

- The Educational Services Division markets a family of 4GL UNIX-based application software to K-12 educational institutions. The division has approximately 60 employees.
- The Government Services Division also provides application software in the form of 4GL UNIX-based packages to the local government market. This division employs approximately 40 people.
- The Computer Engineering Division provides clients with professional/systems integration services, primarily to education, local government and other industries. This division has approximately 45 employees.

Pentamation has offices in Bethlehem, Lancaster and Pittsburgh (PA); Sparks (MD); and Norfolk (VA).

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Financials

Pentamation's fiscal 1994 revenue reached approximately $20 million.

Market Financials

Pentamation's revenue is primarily derived from the K-12 education and state and local local government markets.

Geographic Markets

One hundred percent of Pentamation's revenue is derived from the U.S.

Key Products and Services

The Educational Services Division markets THE OPEN SERIES of products, a UNIX, 4GL Informix-based application software product for school district administration of financial and student data processing centers.

- Applications available in THE OPEN SERIES include the following:
 - The Student Management System contains registration, scheduling, report cards, transcripts and daily and subject or period attendance. The Student Management System complies with state and federal government requirements for student recordkeeping and reporting.
 - The Financial Management System supports accounting, personnel, payroll, fixed assets and warehouse inventory. A security system allows access only to authorized personnel.
- THE OPEN SERIES is modularized and allows clients to purchase the complete package or just the applications they require.

The Government Services Division offers THE OPEN SERIES family of UNIX, 4GL Informix-based application software products to local governments. Functions supported include:

- Fund accounting
- Human resources
- Fixed assets
- Purchase orders
- Budget accounting
- Utility billing
- Investment management
- Vehicle management
- Tax billing and collections

The Computer Engineering Division (CED), founded in 1970, provides professional/systems integration services primarily to educational institutions and local government. Services include the following:

- Current systems assessments and audits, configuration review and analysis and site survey and planning
- Quality assurance, which evaluates the system at Pentamation before allowing installation at the client site
- Procurement and installation of hardware and software
- Support services, including technical consulting, staff recruiting and client training, taking place at either the client site or at Pentamation's Education Center in Bethlehem (PA)
- Network management and consulting, consisting of network analysis, project management and ongoing network management services
- Development of systems software enabling all components to work within the current operating system release

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- CED personnel integrate customized versions of the software produced by the two other divisions as a Total Systems Solution product for education and local government clients.

Competitors

Pentamation's primary competitors are American Management Systems, Systems & Computer Technology, Bi-Tech and MUNIS.

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PENTAMATION ENTERPRISES, INC.
One Bethlehem Plaza
Bethlehem, PA 18018
Phone: (215) 691-3616
Fax: (215) 691-1487

Jeffrey P. Feather, Chairman and President
Private Corporation
Total Employees: 150
Total Revenue, Fiscal Year End 9/30/91: $17,500,000

The Company

Pentamation Enterprises, Inc., founded in 1970, provides applications software products, turnkey systems, and professional services to kindergarten through high school educational institutions and state and local governments.

During the past two years, Pentamation has completed the sale of its Physician Services Division--which provided applications software and processing services to hospital-based physicians--and reorganized its operations into the following three operating entities.

- The Educational Services Division provides clients with applications software and turnkey systems. It markets a family of VAX-based and 4GL UNIX-based applications software to K-12 educational institutions. The division has 45 employees.
- The Government Services Division also provides applications software in the form of 4GL UNIX-based packages to the local government market. This division employs 30 people.
- The Computer Engineering Division provides clients with systems integration services, primarily to the education, local government, and manufacturing industries. This division has 55 employees.

Key Products and Services

Each of Pentamation's operating entities contributes approximately one third of the company's total revenue. Products and services by division are detailed below.

The Educational Services Division markets THE LEADERSHIP SERIES of products, a UNIX or DEC VAX-based applications software product for school district administration of financial and

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student data processing centers. The software is also bundled in a DEC VAX-based turnkey system.

- Applications available in THE LEADERSHIP SERIES include the following:
 - The Student Management System contains registration, scheduling, report cards, transcripts, and daily and subject or period attendance. The Student Management System complies with state and federal government requirements for student recordkeeping and reporting.
 - The Financial Management System supports accounting, personnel, payroll, fixed assets, and warehouse inventory. A security system allows access only to authorized personnel.
- THE LEADERSHIP SERIES is modularized, which allows clients to purchase the complete package or just the applications they require.
- The turnkey system includes a DEC MicroVAX II, VAX/VMS operating system, terminals, printers, communications equipment, THE LEADERSHIP SERIES Financial and Student Management software, and Pentamation's Value Engineering services and support.

The Government Services Division offers a family of UNIX-based applications software products to local governments that perform the following functions:

- Fund accounting
- Human resources
- Fixed assets
- Purchase orders
- Budget accounting
- Utility billing
- Investment management
- Vehicle management
- Tax billing and collections

The Computer Engineering Division (CED), founded in 1970, provides systems integration services primarily to the education, local government, and manufacturing industries. Services include the following:

- Current systems assessments and audits, configuration review and analysis, and site survey and planning

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- Quality assurance, which evaluates the system at Pentamation before allowing installation at the client site
- Procurement and installation of both hardware and software
- Support services, including technical consulting, staff recruiting, and client training, taking place at either the client site or at Pentamation's Education Center in Bethlehem (PA)
- Network management and consulting, consisting of network analysis, project management, and ongoing network management services
- Development of system software, enabling all components to work within the current operating system release
- For manufacturing clients, Pentamation begins with a modularized shell, which is customized to meet client requirements.
- For education and local government clients, CED personnel integrate customized versions of the software produced by the other two divisions.

Industry Markets

INPUT estimates that approximately 40% of Pentamation's fiscal 1991 revenue was derived from the K-12 education market, 35% from local governments, and the remaining 25% from manufacturing and other industries.

Geographic Markets

One hundred percent of Pentamation's revenue is derived from the U.S.

Pentamation has offices in Bethlehem, Lancaster, and Pittsburgh (PA); Sparks (MD); and Norfolk (VA).

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PENTAMATION ENTERPRISES, INC.
One Bethlehem Plaza
Bethlehem, PA 18018
(215) 691-3616

Jeffrey P. Feather, Chairman and President
Private Corporation
Total Employees: 225
Total Revenue, Fiscal Year End
9/30/88: $20,000,000

The Company

Pentamation Enterprises, Inc., founded in 1970, provides processing services (including facilities management), application software products, turnkey systems, and professional services. The company has cross industry clients but also targets educational institutions, state and local government, non-profit organizations, and hospital-based physicians.

During 1987, Pentamation sold its PENTAMED™ division to Farranti Heathcare of Timonium (MD). Farranti Healthcare also purchased Pentamation's health care version of THE LEADERSHIP SERIES™ of software products.

- The PENTAMED division provided remote processing services to hospitals for financial and administrative applications. The division also marketed the health care version of Pentamation's THE LEADERSHIP SERIES.
- The division contributed approximately $17 million to Pentamation's fiscal 1987 revenue.

Pentamation's fiscal 1988 revenue reached $20 million, a 39% decrease from fiscal 1987 revenue of $33 million. A five-year revenue summary follows:

PENTAMATION ENTERPRISES INCORPORATED
FIVE-YEAR REVENUE SUMMARY
($ millions)

	FISCAL YEAR				
ITEM	9/88	9/87	9/86	9/85	9/84
Revenue	$20.0	$33.0	$30.0	$35.0	$32.0
• Percent increase (decrease) from previous year	(39%)	10%	(14%)	9%	14%

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If the operations of the PENTAMED division are excluded from fiscal 1987 results, Pentamation's revenue from continuing operations actually increased 25%, from $16 million in fiscal 1987 to $20 million in fiscal 1988.

Pentamation is currently organized into four divisions as follows:

- The Educational Services division markets THE LEADERSHIP SERIES family of software to educational institutions, including high schools, colleges, and universities. This division has 34 employees.
- The Computer Engineering Division offers systems integration services, primarily to the education, manufacturing, and health care industries. This division has 59 employees.
- The Consultants Division provides training, customized applications software, and professional services to clients across industry, with special concentration on manufacturing. This division was formed in 1987 in response to growing demand for custom work. There are currently 30 employees.
- The Systems Management division, with 80 employees, coordinates the company's other operating units as follows:
 - Facilities management services are provided to state and local governments. The data centers are located in White Plains (NY) and Hagerstown (MD).
 - Count Systems was acquired by Pentamation in June 1988. Count Systems provides application software products to city governments and non-profit organizations.
 - The Physician Services Division provides applications software products, processing services, and turnkey systems to hospital-based physicians.

Key Products and Services

Approximately 44% of Pentamation's fiscal 1988 revenue was derived from processing services (of which approximately 14% was from facilities management contracts); 20% from hardware/turnkey sales, 6% from systems integration, custom software development, and software product sales; and 25% from hardware and software maintenance services. The remaining 5% of revenue was derived from other sources, including leasing fees, interest, and royalties.

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The Systems Management Division offers the following products and services to its clients:

- The Physician`s Services Division (PSD) offers remote processing, application software products, and professional services to hospital-based physicians.
 - PSD software applications include billing and collection, auditing, insurance claims, and patient tracking.
 - PSD offers remote processing to the physicians, based on its IBM mainframe located in Bethlehem (PA). Features include the following:
 - A hospital interface enables PSD to transfer data from any hospital facility.
 - An electronic link to Blue Shield, Medicare, Medicaid, and other commercial carriers facilitates claim processing.
 - A CRT or microcomputer at the physician's office provides the connection to the PSD mainframe.
 - An archival recordkeeping system retains patient files.
- Facilities management services are provided to a variety of industries and governmental agencies. For a fixed monthly fee, Pentamation assumes total responsibility for the client's data processing needs.
- As a result of the acquisition of Count Systems, Pentamation offers application software products to local govenments for fund accounting, human resources, fixed assets, purchase orders, budget accounting, utility billing, investment management, vehicle management, and tax billing and collections.
- Professional services provided include:
 - MIS surveys and system audits.
 - On-site management.
 - Programming and operations.
 - Strategic and tactical planning.
 - Facility design and site selection.
 - Staff recruitment and career development.
 - Hardware evaluation procurement and installation.
 - Quality assurance.

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- Network planning and telecommunications.
- Microcomputing support.
- Software acquisition and implementation.
- New systems development.
- Technical consulting.
- User training and support.

The Educational Services Division markets THE LEADERSHIP SERIES of products. Introduced in the early 1980s, THE LEADERSHIP SERIES is available as an application software product or as a DEC VAX-based turnkey system to school districts for the administration of financial and student data processing centers.

- Applications available in THE LEADERSHIP SERIES include the following:
 - The Student Management System contains registration, scheduling, report cards, transcripts, and daily and subject or period attendance. The Student Management System complies with state and federal government requirements for student recordkeeping and reporting.
 - The Financial Management System supports accounting, personnel, payroll, fixed assets, and warehouse inventory. A security system allows access only to authorized personnel.
- THE LEADERSHIP SERIES is offered in three delivery modes:
 - The turnkey system includes a DEC MicroVAX II, VAX/VMS operating system, terminals, printers, communications equipment, THE LEADERSHIP SERIES Financial and Student Management software, and Pentamation's Value Engineering services and support.
 - Purchase of only the Student Management System and/or Financial Management System.
 - Selected applications from the Financial Management and Student Management Systems.

The Computer Engineering Division (CED), founded in 1970, provides systems integration through its VALUE ENGINEERING program.

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- Services include the following:
 - Configuration review and analysis.
 - Site survey and planning.
 - Quality assurance which evaluates the system at Pentamation before allowing installation at the client site.
 - Installation of both hardware and software.
 - Training, taking place at either the client site or at Pentamation's Education Center in Bethlehem (PA) .
 - Network management and consulting, consisting of network analysis, project management, and ongoing network management services.
 - Development of system software, enabling all components to work within the current operating system release.

Industry Markets

Approximately 58% of Pentamation's fiscal 1988 revenue was derived from the medical/hospital industry, 12% from education, and the remaining 30% from a variety of industries and government agencies.

Geographic Markets

One hundred percent of Pentamation's revenue is derived from the U.S.

Pentamation has offices in Bethlehem, Lancaster, and Pittsburgh (PA); Hagerstown and Sparks (MD); Oakland (CA); and Norfolk (VA).

Computer Hardware

Pentamation has three data centers located in Bethlehem (PA), Hagerstown (MD), and White Plains (NY) with the following hardware installed:

- 1 IBM 4341.
- DEC VAX 750/780 systems.
- Various PCs and PS/2 microcomputers.

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COMPANY PROFILE

PENTAMATION ENTERPRISES, INC.
One Bethlehem Plaza
Bethlehem, PA 18018
(215) 691-3616

Jeffrey P. Feather, Chairman
and President
Private Corporation
Total Employees: 500
Total Revenue, Fiscal Year End
9/30/85: $35,000,000

THE COMPANY

- Pentamation Enterprises, Inc., founded in 1970, provides remote computing and facilities management processing services, software products, and turnkey systems for education, medical, governmental, and general business communities.

- Pentamation's fiscal 1985 revenue reached $35 million, a 9% increase over fiscal 1984 revenue of $32.2 million. Fiscal 1984 revenue increased 15% over fiscal 1983 revenue of $28 million.

KEY PRODUCTS AND SERVICES

- INPUT estimates that approximately 75% of Pentamation's fiscal 1985 revenue was derived from processing services, of which approximately 40% was from facilities management contracts; 10% was derived from software products; 10% from turnkey systems; and the remaining 5% from terminals and peripherals.

- Pentamation provides remote processing services and hardware and software to hospitals and extended care facilities, physician groups, and educational institutions.

 - The PENTAMED System provides remote hospital processing services for financial and administrative applications including census, in- and out-patient billings, accounts receivable, accounts payable, inventory, payroll/personnel, fixed asset accounting, general ledger, financial reporting, and cost allocation.

 - The PLUS/7 (Pentamation Local User System) provides real-time data base systems for communication between departments such as admissions, medical records, laboratory, dietary, pharmacy, and radiology.

 - Pentamation sells proprietary software and DEC VAX-based hardware to hospitals for administrative and financial applications, and to school districts for the administration of financial and student data processing centers.

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- Pentamation's Remote Services Group provides remote processing services for inventory tracking, circuit design, sales analysis, and financial applications for a variety of industries.

- Facilities management is provided to a variety of industries and governmental agencies. For a fixed monthly fee, Pentamation assumes total responsibility for the client's data processing needs.

- The Customer Engineering Division provides and maintains its own PLUS system line of microcomputers and terminals.

INDUSTRY MARKETS

- INPUT estimates that approximately 50% of Pentamation's 1985 revenue was derived from the medical/hospital industry, 20% from education, and the remaining 30% from a variety of industries and governmental agencies.

GEOGRAPHIC MARKETS

- One hundred percent of Pentamation's revenue is derived from the U.S.

- Pentamation has offices in the following locations.

 - Bethlehem, Reading, Lancaster, Pittsburgh (PA).
 - Hagerstown and Sparks (MD).
 - Oakland (CA).
 - Middlebury (CT).
 - Newark (NJ).
 - Norfolk (VA).
 - Cleveland (OH).

HARDWARE INSTALLED

- Pentamation has three data centers with IBM 4341 and DEC VAX 750/780 systems. The data centers are located in Bethlehem (PA), Sparks (MD), and Norfolk (VA).

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COMPANY HIGHLIGHT

PENTAMATION ENTERPRISES
One Bethlehem Plaza
Bethlehem, PA 18015
(215) 691-3616

J.P. Feather, President and
Chairman of the Board
Private Corporation
Total Employees: 400
Total Revenues, Fiscal Year End
9/30/80: $14,200,000

PRINCIPAL BUSINESS Remote computing, facilities management and batch processing services for the education, medical and business communities.

FINANCIALS

- Total revenues, FYE 9/30/80: $14,200,000.
- Average Annual Growth Rate since 1975: 26%.

PRODUCTS AND SERVICES

- Pentamation concentrates its marketing efforts on selling processing services to the medical/hospital and education industries. Both remote computing and facilities management services are provided. Primary applications are:
 - Human Resource Management: Payroll, personnel, EEOC and ERISA reporting.
 - Material Resource Management: Budget and cost allocation, accounts payable, general ledger and inventory control.
- Pentamation's PENTAMED System offers specialty processing services for hospitals. In addition to the general business applications listed above, the PENTAMED System includes patient accounting modules for census, billing, accounts receivable, management control and revenue and statistical analysis.
 - PENTAMED serves approximately 75 hospitals with 17,500 beds.
 - In addition, 125 nursing homes are served throughout the U.S.

INDUSTRY MARKETS Medicine and education are Pentamation's key industry markets.

GEOGRAPHIC MARKETS

- United States 100%.

OFFICE LOCATIONS

- Allentown, Bethlehem, Reading, Lancaster, Philadelphia and York (all PA).
- Hagarstown and Loveton (MD).
- New York.
- Los Angeles.

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COMPUTER HARDWARE AND SOFTWARE Pentamation has 15 data centers in the Eastern and Western United States. Equipment consists of 15 IBM systems ranging from 370/125 to 4341.

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COMPANY HIGHLIGHT

PENTAMATION ENTERPRISES
One Bethlehem Plaza
Bethlehem, PA 18015
(215) 691-3616

J. P. Feather, President and
Chairman of the Board
Private corporation
Total employees: 295
Total revenues, fiscal year
end 9/30/77: $7,700,000

THE COMPANY

- Pentamation was founded in 1970 and is now managed by a nucleus of about 13 people, including President and Chairman Feather; C.M. Wistar, Vice President of Finance; J.A. Sullivan, Vice President of Marketing; and D.P. Bloys, Vice President of Operations. It offers remote computing, facilities management, and batch processing services primarily to the education and medical industries.

- Sales have been growing 32.3% annually from $4.4 million in fiscal 1975 to $7.7 million in fiscal 1977. Management expects sales to exceed $10 million by fiscal year end 1979, an annual average growth of 15%. Expansion will come from a combination of internal growth and acquisition. Two past acquisitions which have increased the company's customer base and product line are:

 - Trilog Associates, Inc. (now known as Trilog) which was jointly acquired by Comshare and Pentamation in 1976. Comshare acquired the Trilog's Employee Benefit Services package; Pentamation acquired the Educational Administrative Services packages and facilities management contracts.
 - The community hospital data processing services and customer base acquired from Automatic Data Processing in 1975. The clients are large and medium sized non-profit community hospitals.

- The company targets single unit users such as hospitals and schools as they have less need for extensive remote computing networks than geographically distributed organizations.

KEY PRODUCTS AND SERVICES

- Fiscal 1977 revenues were derived as follows:

- Remote batch computing	50%
- Facilities management (FM)	40
- Batch processing	10
	100%

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- General business services are marketed particularly to the medical/hospital and education industries through both facilities management and remote computing modes of operation. The services include:
 - Human Resource Management: payroll, personnel, EEOC, and ERISA reporting.
 - Material Resource Management: budget and cost allocation, accounts payable, general ledger, and inventory control.
- In addition, the PENTAMED System offers specialty services to the hospital industry. PENTAMED includes:
 - Patient accounting: census, billing, accounts receivable, management control, and revenue and statistics analysis.
 - The above general business services.
 - PENTAMED serves approximately 40 hospitals with 11,000 beds.

APPLICATIONS Pentamation offers general business services as well as specialty services for medical and educational applications.

INDUSTRY MARKETS Medical and education are the company's key industry markets, as shown below:

Medical/hospital	35%
Education	25
Manufacturing-process	15
Distribution-retail	15
Government-state and local	5
Transportation	5
	100%

GEOGRAPHIC MARKETS Customers are all located in the Northeastern and Southeastern sections of the U.S., particularly in Pennsylvania and Maryland. Branch offices are in Allentown, Bethlehem, Reading, Lancaster, Philadelphia, and York, Pennsylvania; Hagerstown and Towson, Maryland; and New York, New York.

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COMPUTER HARDWARE AND SOFTWARE Pentamation has the following computer equipment installed at its computer centers in Pennsylvania and Maryland:

-	1 IBM 370/155	EDOS
-	1 IBM 370/125-2	
-	2 IBM 370/115-2	EDOS
-	1 IBM 360/50	EDOS
-	2 IBM 360/40	EDOS
-	2 IBM 360/30	EDOS
-	5 IBM 360/20	
-	1 IBM System 3	

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COMPANY HIGHLIGHT

PENTAMATION ENTERPRISES
One Bethlehem Plaza
Bethlehem, Pennsylvania 18015
(215) 691-3616

J.P. Feather, Chairman & President
Private corporation

Total Company and Computer Services Sales
as of FY ending 9/75: $4,400,000

NUMBER OF EMPLOYEES engaged in computer services: 260

KEY PRODUCTS/SERVICES: Pentamation Enterprises markets remote computing, facilities management, and batch services, which represent 50%, and 40% and 10% of sales respectively. Once the acquisition of facilities management and educational services portions of Trilog Associates is consumated, PE will also market software products.

APPLICATIONS: General business oriented applications are marketed, particularly to the medical/hospital and education industries on a facilities management basis.

INDUSTRY MARKETS: Education and medical/hospital are the key industry markets, as shown below:

Medical/hospital	35%
Education	25%
Manufacturing	15%
Distribution	15%
Government	5%
Transportation	5%

GEOGRAPHIC MARKETS: Customers are concentrated 100% in the Northern section of the U.S., primarily in Pennsylvania. Branch offices are located in Allentown, Bethlehem, Reading, Lancaster, York, and Butler, all in Pennsylvania; also in Hagerstown and Townson, Maryland; and New York City.

COMPUTER HARDWARE AND SOFTWARE:

1	IBM	370/155	EDOS
1	IBM	360/50	EDOS
6	IBM	360/20	
4	IBM	360/30	DOS
2	IBM	360/40	DOS
1	IBM	System 3	
1	Sperry Univac	570/46	VMOS (RCA)
1	Honeywell	115	

OVERALL ASSESSMENT AND TRENDS:

Pentamation targets customers which do not have multiple offices, such as schools and hospitals. These users have less need for remote computing networks than geographically distributed organizations.

The firm was founded and is managed by a nucleus of about 13 people, including C.M. Wistar, Vice President of Finance, J.A. Sullivan, Vice President of Marketing, and D.P. Floys, Vice President of Operations. Management expects sales to double by 1980, through a combination of internal growth and acquisitions such as the recent purchase of a portion of Trilog Associates, a software products firm.

INPUT®

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

September 1996

PeopleSoft, Inc.

President, Chairman,
Founder & CEO: David A. Duffield
4440 Rosewood Drive
Pleasanton, CA 94588-3031
Phone: (510) 225 3000
Fax: (510) 225-3100
Internet: http://www.peoplesoft.com

Status:	Public
Employees:	1,900 (9/96)
Revenue:	$227,568,000
Fiscal Year End:	12/31/95

Key Points

- PeopleSoft is a leading supplier of client/server business software.
- PeopleSoft has achieved an average growth rate in excess of 100% over the last five years. Revenue for 1995 reached $227.6 million, a 102% increase over 1994.
- In September 1996, PeopleSoft announced plans to merge with Red Pepper Software, a provider of manufacturing and supply chain optimization solutions.
- In June 1996, PeopleSoft unveiled its electronic commerce strategy to extend PeopleSoft enterprise applications through the World Wide Web, the Internet, and electronic data interchange (EDI) to address consumer-to-business, business-to-business, and intranet solutions.
- In May 1996, PeopleSoft released PeopleSoft for Manufacturing, the company's integrated, enterprise software solution for manufacturing companies.
- By year-end, PeopleSoft intends to deliver Release 6 of its client/server enterprise solutions, which will incorporate new applications as well as technology initiatives in the areas of distributed applications and intranet support.

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Company Description

PeopleSoft, founded in 1987, designs, develops, markets, and supports client/server enterprise applications for accounting, materials management, distribution, manufacturing, and human resources management for medium to large-sized organizations worldwide.

- The PeopleSoft product family includes PeopleSoft Financials, PeopleSoft Distribution, PeopleSoft Manufacturing, and PeopleSoft HRMS integrated suites of client/server business applications, and PeopleTools, a complete set of client/server tools for application development and reporting.

- The company also offers vertical solutions for the federal government, state and local government (public sector), education, and the financial services and health care industries.

- All PeopleSoft products are based on the Windows graphic user interface (GUI) and support a choice of relational database management systems running on mainframe, minicomputer, or LAN server platforms.

Organization and Structure

PeopleSoft's corporate headquarters and development and technical support center is in Pleasanton (CA).

In the U.S., the company has sales, marketing and customer service offices in the metropolitan areas of Atlanta (GA); Bethesda (MD); Boston (MA); Chicago (IL); Columbus (OH); Coral Gables (FL); Dallas (TX); Indianapolis (IN); Irvine, Sacramento, and Walnut Creek (CA); Minneapolis (MN); Pittsburgh (PA); and Teaneck (NJ).

In July 1996, as part of its global expansion strategy, PeopleSoft established a European corporate headquarters at its new facility in Munich (Germany) in order to offer pan-European and global multinational customers a single point of contact in Europe for both presales consulting and customer support services. Non-multinational customers are served by local support services offices in Munich, Amsterdam (the Netherlands), Paris (France), Madrid (Spain), and Reading (U.K.)

Other international sales, marketing and customer support offices are in Montreal, Ottawa, Vancouver, and Toronto (Canada); Mexico City (Mexico); Buenos Aires (Argentina); Melbourne and Sydney (Australia); and Singapore.

PeopleSoft distributors are in Brazil, India, Malaysia, the Philippines, South Africa, Spain, and Thailand.

PeopleSoft Federal, based in Bethesda (MD), is a division formed in July 1995 that provides PeopleSoft HRMS to the federal market.

Company Strategy

PeopleSoft's mission is to be the market leader in client/server business applications software.

The company believes organizations need to constantly rethink who they are and how they develop products to best serve their customers. To help enterprises succeed, PeopleSoft follows four principles:

- Build products for people, products that are user-friendly

- Design for change, products that help manage constant change

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- Team with customers, with 42% of PeopleSoft's work force dedicated to customer service

- Focus on the enterprise, combining functional and technological innovation to deliver a comprehensive suite of products. PeopleSoft solutions are business process-oriented, global, and scalable.

Elements of the company's strategy include:

- Supporting new and emerging technology standards as they are embraced

- Expanding its product line, including additional modules to its existing product families, as well as developing products for certain vertical markets, including the public sector and higher education

- Increasing its international presence by developing country-specific versions of its products and establishing offices outside the U.S.

- Continuing to focus on customer service

- Enhancing distribution channels through expansion of sales personnel and sales offices and forming relationships with RDBMS vendors, hardware vendors, and certain consulting firms.

In June 1996, PeopleSoft announced its electronic commerce strategy to extend PeopleSoft enterprise applications through the World Wide Web, the Internet, and EDI.

- To improve consumer and employee access to PeopleSoft applications via the Internet, PeopleSoft is extending its partner program to integrate third-party tools from OneWave (formerly Business@Web) and Spider Technologies. Using these tools, organizations can build custom interfaces to PeopleSoft applications.

- In the long-term, PeopleSoft will provide a Web-based client interface with all of its enterprise applications. For example, PeopleSoft is working with existing partners such as Sun Microsystems to enable development of Web-based client interfaces for PeopleSoft applications using the Java platform.

- To address business-to-business electronic commerce requirements, PeopleSoft is developing an EDI architecture to allow customers to easily set up EDI transactions for business-to-business transactions and has partnered with commercial transaction software and services vendors including AMT Inc., Premenos, Sterling Commerce, and The EC Company.

In April 1996, PeopleSoft outlined an on-line analytical processing (OLAP) strategy that addresses desktop, data mart, and data warehousing solutions and includes planned integration with leading OLAP technology software vendors, including Cognos, Business Objects, Arbor Software, and Platinum Technology.

Financials

PeopleSoft's 1995 revenue reached $227.6 million, a 102% increase over 1994 revenue of $112.9 million. Net income rose from $14.5 million in 1994 to $29.4 million in 1995.

A five-year financial summary is shown on the following page.

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PeopleSoft, Inc.
Five-Year Financial Summary
($ Millions, except per-share data)

Item	Fiscal Year				
	1995	1994	1993	1992	1991
Revenue	$227.6	$112.9	$58.2	$31.6	$17.1
• Percent change from previous year	102%	94%	84%	85%	180%
Income before taxes	$48.9	$23.9	$13.7	$8.1	$3.1
• Percent change from previous year	105%	74%	69%	165%	608%
Net income	$29.4	$14.5	$8.4	$4.8	$1.9
• Percent change from previous year	103%	73%	74%	154%	353%
Earnings per share (a)	$0.54	$0.28	$0.17	$0.12	$0.05
• Percent change from previous year	93%	65%	42%	140%	N/A

(a) Restated to reflect a 2-for-1 stock split in November 1995.

PeopleSoft management attributes 1995 results to the following:

- License fees increased 96% due to increased market acceptance of and breadth of the company's products and to increased capacity created by the growth in sales, marketing, and customer service organizations.
 - License fees from PeopleSoft HRMS rose from $50.8 million in 1994 to $83.5 million in 1995.
 - License fees from PeopleSoft Financials rose from $13.6 million in 1994 to more than $47 million in 1995.
 - Sales to health care customers increased 125% over 1994.
- Revenues from services rose 110% during 1995 as compared with a 116% increase during 1994. This growth was attributed to increases in the installed base of customers receiving ongoing maintenance, training, and support services and increases in PeopleSoft's professional services consulting staff and related consulting revenue.

Total research and development expenses were approximately $35.9 million (16% of revenue) in 1995, $14.5 million (13% of revenue) in 1994, and $8.3 million (14% of revenue) in 1993.

Revenue Analysis by Product/Service

Approximately 65% of 1995 revenue was derived from software license fees and the remaining 35% from maintenance, training, support, and consulting services.

A three-year summary of source of revenue by product/service is shown on the following page.

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PeopleSoft, Inc.
Three-Year Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1995		1994		1993	
Product/Service	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
License fees	$134.6	65%	$68.6	61%	$37.7	65%
Services	93.0	35%	44.3	39%	20.5	35%
Total	$227.6	100%	$112.9	100%	$58.2	100%

License revenue from PeopleSoft HRMS products was 62%, 77%, and 74% of total license revenue for 1995, 1994, and 1993, respectively. License revenue from PeopleSoft Financials and PeopleSoft Distribution was approximately 35%, 20%, and 19% of total license revenue for 1995, 1994, and 1993, respectively.

Interim Results

Revenue for the six months ending June 30, 1996 reached $18.9 million, a 98% increase over $91.5 million for the same period a year ago. Net income rose 101%, from $10.7 million to more than $21.5 million.

Market Financials

PeopleSoft's cross-industry products are marketed primarily to large and medium-sized organizations, including the Fortune 1000.

PeopleSoft has more than 1,300 customers worldwide in the manufacturing, transportation, technology, financial services, health care, pharmaceutical, utility, transportation, education, and government sectors, including 75 who have implemented or are in the process of implementing PeopleSoft HRMS on a global basis.

Geographic Markets

Approximately 84% of PeopleSoft's 1995 revenue was derived from the U.S. and 16% from international sources. A three-year summary is shown below.

PeopleSoft, Inc.
Three-Year Geographic Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1995		1994		1993	
Geographic Market	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
U.S.	$191.5	84%	$99.7	88%	$53.0	91%
International	36.1	16%	13.2	12%	5.2	9%
Total	$227.6	100%	$112.9	100%	$58.2	100%

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Through 1995, the majority of international revenue has come from Canada and sales to customers in Europe and Asia has not been significant. PeopleSoft continues to increase its direct sales and support efforts in those areas.

Acquisitions

In September 1996, PeopleSoft and Red Pepper Software of San Mateo (CA) announced a definitive agreement to merge.

- PeopleSoft will issue 2.975 million shares of its common stock to acquire all of the outstanding shares of Red Pepper. The transaction will be accounted for as a pooling of interests.
- PeopleSoft and Red Pepper have had a technology licensing and distribution agreement since June 1995.
- Red Pepper develops real-time supply chain optimization and sales order solutions. Its ResponseAgent® products are designed to complement and integrate with existing transaction systems.
- Red Pepper customers include Sun Microsystems, Coors Brewing, Texas Instruments, 3Com, Bausch & Lomb, and Hewlett-Packard.
- The acquisition affirms PeopleSoft's position in the enterprise resource planning (ERP) marketplace and demonstrates its commitment to deliver tightly integrated enterprise solutions.
- Red Pepper will continue to operate as an independent business unit of PeopleSoft providing planning and optimization solutions that integrate with legacy transaction systems and client/server offerings from other vendors such as SAP, Oracle, and Baan.

In the second quarter of 1996, PeopleSoft acquired the assets and operations of InfoSoft S.A., previously a PeopleSoft distributor for Spain and Portugal. Effective July 1, 1996, PeopleSoft Iberica formally opened for business in Madrid, providing direct sales and support activities in the Mediterranean region.

Employees

As of December 31, 1995, PeopleSoft had 1,341 employees. The company dedicates over 42% of its staff to handle customer service in areas of account management, product support, professional services, education services, and communication services.

Employees are segmented as follows:

Sales and marketing	374
Product development	261
Customer services	567
Administration	139
	1,341

The company currently has approximately 1,900 employees.

Key Products and Services

PeopleSoft's products were designed specifically for client/server environments, are integrated with Microsoft Windows, include an advanced GUI, support a variety of popular RDBMSs and work with PeopleSoft's integrated application development toolset—PeopleTools.

PeopleSoft's products operate on a range of hardware platforms, including IBM mainframes, UNIX-based minicomputers from Digital, HP, IBM, Sequent Computer Systems, Sun Microsystems and others, and PCs operating on LANs.

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PeopleSoft's products can be licensed with the following RDBMSs and run on the indicated operating systems:

- Gupta's SQLBase (OS/2 and NT)
- Microsoft's SQL Server (OS/2)
- Sybase's SQL Server (VMS, AIX, HP-UX, Sun OS)
- IBM's DB2 (MVS) using connectivity products from either Gupta or Oracle
- Oracle's ORACLE (VMS and more than 15 versions of UNIX)
- Informix' INFORMIX-OnLine Dynamic Server (AIX, HP-UX)
- IBM's DB2/400 (OS/400)
- Microsoft's SQL Server 6 (NT)
- Sybase's System 11 (various UNIX versions)

Human Resource Management Systems

PeopleSoft HRMS is a family of fully integrated human resource management system products available in U.S. and Canadian versions. Release 6, which incorporates pension administration and time and labor applications, was announced in September 1996 and will be available at the end of this year.

PeopleSoft HRMS modules include the following:

- *PeopleSoft Human Resources*—This base human resources module provides support for the human resource function, including personnel administration (employee biographical information and recordkeeping), recruitment, position management, training and development, health and safety, skills inventory, career planning, affirmative action planning, COBRA administration, and EEO reporting.
- *PeopleSoft Benefits Administration*—Provides the capabilities required to support daily benefits administration activities and compliance with government regulations. It supports flexible and nonflexible benefits programs that require complex eligibility checking, open enrollment processing, and other automatic enrollment processing capabilities.
- *PeopleSoft FSA Administration*—This flexible spending account administration (FSA) module provides a flexible benefits software solution for companies offering cafeteria benefits plans.
- *PeopleSoft Payroll*—This module provides a full in-house payroll administration and production facility and handles payroll calculations, check printing, tax reporting and deduction, and benefit calculations and has audit trail and reporting capabilities.
- *PeopleSoft Payroll Interface*—This module provides an interface between PeopleSoft HRMS data and third party payroll systems for those companies that use their own payroll system or a payroll service bureau.
- *PeopleSoft Time and Labor*—This module provides a single, consistent, auditable repository of time-related information. It establishes tables and rules, scheduling, reporting time, prior period adjustments, updates to paysheets, labor distribution, and attendance reporting.
- *PeopleSoft Pension Administration*—This module automates pension

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administration functions including data storage, benefit calculations and estimates, employee communications, flexible system design, retiree administration and reporting, and data extraction.

In addition to the above software modules, PeopleSoft offers third-party software products, including a resume reader from Restrac, tax reporting and filing from Federal Liaison Services, and interactive voice processing of benefit, time, and personal payroll-related information from TALX Corporation.

Financial Management Systems

PeopleSoft Financials is a family of fully integrated products that include certain international and public sector functionality. Release 6 is scheduled to be released by the end of 1996. PeopleSoft Financials includes the following modules:

- *PeopleSoft General Ledger*—This module provides financial analysis, flexible management reporting, general ledger accounting, and consolidation.
- *PeopleSoft Receivables*—This module manages payments owed to the organization and features automatic assessment of a customer's payment habits, generation of dunning letters, value added tax (VAT) processing, automatic tape lock box processing for electronic processing of high-volume transactions, and cash position projections.
- *PeopleSoft Payables*—This module provides payable and cash management functions. It supports multiple currencies, flexible payment policies, VAT processing, recurring vendor contracts, express checks, workflow approval for vouchers, and cash requirements analysis and planning.
- *PeopleSoft Asset Management*—This module manages the acquisition, maintenance, transfer, depreciation, and retirement of fixed assets and tax compliance.
- *PeopleSoft Projects*—This module integrates operational and financial functions, allowing users to perform tasks ranging from managing complex capital projects to calculating revenue for billable projects.
- *PeopleSoft Billing*—This module manages billing and adjustments, processes sales taxes, generates invoices, and creates account distributions.
- *PeopleSoft Budgets*—In beta testing, this module integrates all aspects of the budgeting processes, combining spreadsheets, workflow processing, and PeopleSoft reporting and query tools into a centralized budgeting solution.

PeopleSoft Distribution

PeopleSoft Distribution is a family of fully integrated distribution system products. Release 6 is scheduled for release by the end of 1996. Modules include the following:

- *PeopleSoft Purchasing*—This module automates requisitioning, purchasing, and receiving of raw materials, supplies, services, products, and assets.
- *PeopleSoft Inventory*—This module provides the ability to store and issue stock in response to changing demands, track the movement of stock, and automatically replenish stock as needed.
- *PeopleSoft Order Management*—In beta release, this module handles the complete

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range of order processing requirements and features on-line order entry, alternative order entry methods, workflow, EDI, electronic forms, multimedia attachments, on-line ATP, quotation processing, alternate product lists, flexible pricing and commissions, and contract management.

- *PeopleSoft DRP*—provides real-time aggregate planning and scheduling, product availability analysis, user-defined constraints that support dynamic business environments and "what-if" modeling. Real-time manufacturing, scheduling, and optimization technology has been licensed from Red Pepper Software Company and is embedded in this application.

- *PeopleSoft Enterprise Planning*—This module, in initial release and scheduled for general availability at the end of 1996, simulates multiple schedules using a graphical planner workbench; plans material requirements using net change information; and tracks production levels and highlights resources that are beyond stated capacities. Real-time planning and optimization functions are supported by ResponseAgent embedded software from Red Pepper Software.

- *PeopleSoft Product Configurator*—This module, scheduled for availability at the end of 1996, is a rules-based system that enables make-, assemble-, and configure-to-order companies to define the characteristics of a product in real-time and determine if, when, and how to produce each particular product.

PeopleSoft Manufacturing

This product line, initially released in May 1996, supports the critical planning, processing, and reporting requirements of complex, discrete manufacturing enterprises.

PeopleSoft Manufacturing modules include the following:

- *PeopleSoft Engineering*—This module provides the functionality required to manage engineering designs including bills of material, routings and costs, prototypes, cost simulations, the transfer of designs to production, and engineering change orders.

- *PeopleSoft Bills and Routings*—This module provides revision control, component yield, and operation overlap to maintain complex bills of material, resources, work centers, jobs, and routings.

- *PeopleSoft Production Planning*—This module combines master scheduling, material requirements planning, and capacity planning into one, embedded, real-time advanced planning and scheduling system for plant-level procurement and production. Real-time planning and optimization functions are supported by ResponseAgent embedded software from Red Pepper Software.

- *PeopleSoft Production Management*—This is a shop floor control application for managing, transacting, and costing all material, machine, and labor requirements, scheduling and dispatching production by work center to the minute, and tracking production orders. It supports discrete, repetitive, assemble-to-order, and work orderless environments.

- *PeopleSoft Cost Management*—This module manages costs throughout the supply chain via a flexible costing model to accommodate regional differences in procurement costs; transaction

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accounting; and operations performance measurement for detailed price and manufacturing variance reporting.

Vertical Solutions

PeopleSoft has extended its applications to serve certain vertical markets.

PeopleSoft Financials for the Public Sector—This product was introduced in January 1995 and is a version *of PeopleSoft Financials* specially designed for public sector organizations, including provincial, state, and local governments, and nonprofit organizations. It was developed jointly with Andersen Consulting and helps public sector organizations to control, monitor, administer, and report on financial information.

PeopleSoft HRMS for Federal Government—is a version of PeopleSoft HRMS tailored to meet federal requirements. The first module, Federal Human Resources, is now available for ORACLE, INFORMIX, and SQLBase database platforms. Benefits Administration is scheduled for release in late 1996. PeopleSoft Financials is also offered to the U.S. federal market.

PeopleSoft for Financial Services—There is a dedicated team of sales, service staff, and business partners specialized in delivering PeopleSoft products and their extensions to the financial services industry. These extensions include flexible business modeling, multiple business views, complex allocations and consolidations, and multicurrency and average daily balance functionality.

PeopleSoft for Healthcare—PeopleSoft products that serve hospitals, medical centers, and other health care organizations include accounting, materials management, and HRMS applications.

PeopleSoft for Higher Education—Products offered to the higher education market include PeopleSoft HRMS, PeopleSoft Financials, and the PeopleSoft Student Administration System(SAS). PeopleSoft SAS is a client/server student service administration system for colleges and universities that includes six applications: Student Records, Academic Advisement, Admissions, Financial Aid, Student Financials, and Campus Community.

Application Development Tools

PeopleSoft includes PeopleTools with each PeopleSoft application software product licensed.

PeopleTools application development tools for rapid design and prototyping custom modifications include the following:

- *Data Designer*—used to build new table definitions; to add, drop or modify fields in existing tables; and to facilitate field editing
- *Panel Design*—used to build or modify GUI-based query and data entry screens
- *Menu Designer*—used to build or modify application windows and pull-down menus in a GUI environment
- *Help Designer*—used to create or modify on-line help text, including field and panel level help, corporate procedures, and user procedures
- *PeopleSoft Workflow*—a suite of tools that extends the range of business tasks that can be automated. Features included are workflow designer, workflow processor, application workflow, workflow API, workflow administrator, work lists,

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message agent, application agents, and database agents.

- *Application Reviewer*—works as a debugger to help identify and resolve system problems before going into production.

Tools used to improve the efficiency of implementing, operating, and upgrading PeopleSoft's applications include the following:

- *Application Distributor*—stores application objects in relational databases and makes them available to distributed clients
- *Application Processor*—builds panels from stored application objects
- *Application Installer*—automates the application installation process in various client/server network environments to ease navigation through hardware, database, and connectivity variables
- *Operator Security*—controls the scope and level of data accessibility provided to individuals and classes of users
- *Object Security*—allows read or modification access to individual objects and groups of objects, including records, panels, menus, or tree structures
- *Import Manager*—speeds the loading of data generated by other systems into the RDBMS server for access by PeopleSoft s application products
- *Application Upgrade*—facilitates customer upgrades to successive versions of the application, while retaining all the functionality and feature modifications made by the customer
- *Data Mover*—archives and retrieves archived data stored in PeopleSoft application databases
- *SQL Scripter*—enables user to execute sets of SQL statements while logged on to a PeopleSoft database

Tools for application users to easily access, summarize, and process information include the following:

- *PS/nVision*—integrates PeopleSoft Financials modules with Microsoft's Excel in the production of financial statements, responsibility reports, and other ad hoc financial reports and analyses
- *Tree Manager*—used to build hierarchical relationships between different data elements within a given table, such as among departments or accounts
- *Query*—used to build SQL queries that extract and summarize information from an application's database
- *Query Link*—provides a PeopleSoft Query interface to Crystal Reports Pro, a report designer and formatter from Crystal Services
- *Process Scheduler*—streamlines the execution of routine tasks and controls time-based events from distributed clients by running, on the client or server, batch processes or programs such as journal creation, payroll processing, voucher posting, and other reports without requiring user interaction.

PeopleSoft also offers PeopleTools to PeopleSoft existing software customers who are interested in developing their own custom, internal client/server business applications.

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Software Pricing

License fees for all PeopleSoft products are a function of the specific hardware and RDBMS configuration, the particular combination of PeopleSoft modules chosen, and either the employee population or revenue of the entity using the software. These license fees include one copy of the software, system and user documentation, one year of product maintenance, a one-year product warranty, implementation support, and software product training.

Services and Customer Support

PeopleSoft's service and support is coordinated by an account manager. In addition to managing the account relationship, the account manager is responsible for coordinating PeopleSoft's installation, training, consulting, and support services.

Services available include the following:

- *Customer Education and Training*—PeopleSoft offers a comprehensive education and training program to customers and third-party consultants. Training classes are offered through training centers in Atlanta (GA), Bethesda (MD), Boston and Waltham (MA), Chicago and Westchester (IL), Dallas (TX), Pleasanton and Walnut Creek (CA), and Toronto and Vancouver (Canada).

 PeopleSoft provides on-site training to additional customer staff for a fee plus travel expenses.

 Fees for training services are generally priced at $450 per training unit (representing one student day of training).

- *Software Maintenance and Support*—PeopleSoft provides 24-hour hotline telephone support handled by a computerized call tracking and problem reporting system. An automated Lotus Notes-based bulletin board (PeopleSoft/Forum), accessible through the Internet or CompuServe, provides subscribing customers with real-time information on incidents, bugs, and resolutions.

 Initial product licenses include the first year of maintenance support. Thereafter, ongoing maintenance contracts are offered to customers and are renewable on an annual basis. Annual maintenance fees are generally 17% of the then current list price of products under license.

- *Consulting Services*—PeopleSoft offers a variety of consulting services to its customers, including systems integration, strategic implementation planning, upgrade implementation, and minor product customization. PeopleSoft also works with third-party consulting and systems integration firms to provide customers with installation, customization, and project management services.

Clients

Communications/Information—AT&T, Capital Cities/ABC, McCaw Cellular, Scripps Howard, NYNEX Telesector Resources, Pacific Bell, Times Mirror, Turner Corporation, U S WEST, Warner Bros.

Education—California State University at Los Angeles, Cornell University, Edmonton Public Schools, Houston Community College, James Madison University, MIT/Lincoln Laboratories, National Academy of Sciences, National Education

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Association, Northern Arizona University, Northwestern University, Ohio State University, Southern Methodist University, University of British Columbia, University of Hawaii, University of Michigan, University of Oklahoma Health Sciences Center, York University

Energy—BP Oil, British Columbia Hydro and Power, Canadian Occidental Petroleum, Delmarva Power & Light Co., Detroit Edison Co., Interprovincial Pipe Line, Los Angeles Department of Water and Power, Ontario Hydro, Sonat Offshore, Wisconsin Electric Power

Finance and Insurance—American Family Insurance Group, Banamex, Bankers Trust New York Corp., Blue Cross/Blue Shield—New Jersey, GE Capital, Goldman Sachs, IDS Financial Services, John Hancock, Norwest Corporation, NASD, New York Stock Exchange, Swiss Bank Corp., The Equitable, Transamerica Occidental Life Insurance Company

Federal Government—Federal Reserve Board of Governors, Library of Congress, Navy Exchange Service Command, Department of Energy, Department of Veterans Affairs, Department of Justice, Tennessee Valley Authority, U.S. Enrichment Corporation

Other Government— Canada Council, Canadian Federal Government, International Monetary Fund, New Jersey Highway Authority, State of Nevada, State of New York, State of Kansas

Health Care/Pharmaceutical—Alcon Labs, Baystate Administrative Services, Beth Israel Hospital, Burroughs Wellcome Co., Calgary General Hospital, Children's Hospital of Wisconsin, Eli Lilly and Co., Integrated Health Services, Engelwood Hospital and Medical Center, Foundation Health Corporation, Lincoln Health, Partners HealthCare System Inc., Pinnacle Health System, Scott & White Memorial Hospital, United States Surgical Corp.

Manufacturing/Distribution/Other— ACL Inc., Alcoa, Allied Signal, Bell & Howell, Black & Decker, Boise Cascade, Brown & Root, Continental Grain Co., Corning, Gerber Products Co., Gillette, Hill's Pet Nutrition, Inc., Honda, Honeywell, Mitsubishi Semiconductor America, NUMMI, PRC (Litton), Promon Engenharia Ltd., Quaker Oats Co., Siemens, The Turner Corporation, Whirlpool

Retail/Food Services—Bradlees, KMart Corp., KMart, Pepsi, Pizza Hut International, Taco Bell, Toys R Us, TCG International

Technology—Conner Peripherals, Cray Research, Hewlett-Packard Co., Lotus Development Corp., Microsoft, NCR, Tandem Computers

Transportation—Airborne Freight Corp., British Columbia Transit, Canadian Airlines, Kansas City Southern Railway Co., Malaysia Airlines, United Airlines, Yellow Freight System.

Marketing and Sales

PeopleSoft markets and licenses its software products in most major world markets through a direct sales organization based in field sales offices located in major metropolitan areas throughout the U.S., with international sales activities coordinated from PeopleSoft offices in Canada, the Netherlands, France, the U.K., Germany, Mexico, Australia, Argentina, and Singapore.

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To augment its direct sales channel, PeopleSoft:

- Has authorized Automatic Data Processing (ADP) to market certain versions of its PeopleSoft HRMS products
- Has entered into a joint teaming agreement with Andersen Consulting to address the PeopleSoft HRMS and PeopleSoft Financials requirements of state and local government agencies
- Has entered into a systems integration agreement with Shared Medical Systems (SMS) whereby SMS is a distributor of certain PeopleSoft HRMS and Financials software products

The company's business partnerships with more than 40 major hardware, software, and consulting firms deliver application functionality, relational databases, and hardware for clients implementing client/server applications.

In order to meet the demands of its growing client base, PeopleSoft has set up 11 regional customer support centers throughout the U.S., Canada, Europe, and Asia/Pacific. The company serves customers in more than 25 countries.

Alliances

A key aspect of PeopleSoft's sales and marketing strategy is to build and maintain strong working relationships with businesses that PeopleSoft believes play an important role in the successful marketing of its products.

PeopleSoft develops and maintains partnerships with industry-leading hardware, software, database, implementation, and technology vendors to help its customers optimize PeopleSoft solutions.

A listing of vendors with which PeopleSoft has various agreements is summarized in exhibit on the following page.

Some alliances are listed below:

In July 1996, PeopleSoft and Price Waterhouse Management Consulting Services announced an alliance to jointly provide software and consulting services to the financial services industry.

- This alliance combines PeopleSoft's enterprise-wide client/server financial, materials management, and human resources software with Price Waterhouse's industry knowledge and best practices to offer solutions specifically tailored to the requirements of financial services industry.
- Both parties will establish and staff a Financial Services Solutions Center in New York.
- Price Waterhouse will also participate in PeopleSoft's Financial Services Advisory Board.

During the second quarter of 1996, PeopleSoft and BEA Systems, Inc. announced a development and marketing agreement whereby PeopleSoft will integrate BEA's transaction middleware product, BEA TUXEDO, with is full line of enterprise applications. In addition to handling high-volume transaction processing environments, BEA TUXEDO will enhance PeopleSoft's delivery of globally implemented, distributed applications solutions.

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Exhibit
PeopleSoft Alliances

Application Partners	Implementation Partners	Platform Partners	Systems Integration Partners	Workflow Providers
Arbor Software BMC Software Braintree Technology Business Objects Citrix Systems, Inc. Claremont Systems Group Cognos Criterion Ernst & Young LLP Federal Liason Services Frontec InCap Intermec Microsoft MITI Open Horizon, Inc. Platinum Technology Premenos Red Pepper Restrac SigForms SkillSet SQA Sterling Commerce Success Factor Systems Taxware International Vertex William M. Mercer, Inc.	Andersen Consulting The Application Group Beacon Application Services Corp. Business Information Technology Inc. (1) CAP GEMINI America Coopers & Lybrand LLP DataStudy, Inc Deloitte & Touche LLP Dimension Systems Foundation Software The Hunter Group Inc. IBM (ISSC) KPMG Peat Marwick LLP Noblestar Pacific Technologies (AUST) Pty Ltd. The Pinnacle Group PRC Price Waterhouse Ramos & Associates SG2 Sierra Systems Technology Solutions Co User Technology Services	Apple Computer Compaq Data General Corp. Digital Equipment Gupta Corp. Hewlett-Packard IBM Informix Software Intel Corporation Microsoft Corp. NCR Novell Oracle Corporation Pyramid Technology SCO Sequent Computer Systems Siemens Nixdorf Silicon Graphics Sun Microsystems Sybase, Inc. Unisys	Digital Equipment The Gateway Group IBM MCI Systemhouse PRC, Inc. The Registry Sequent Computer Systems Stream International Technology Solutions Company	Action Technologies Computer Communication Specialists Edify ESSENSE Systems, Inc. IBM Jetform Lotus Development Corporation NetDynamics OneWave, Inc. Symantec Corp. TALX Corp.

Competitors

Significant competitors in the enterprise application software market include SAP and Oracle and to a lesser degree, Dun & Bradstreet Software, Baan Company, Computer Associates International, and System Software Associates.

PeopleSoft also faces competition from niche providers of HRMS software products, including Cyborg, Lawson Associates, Integral Systems, and Ceridian, and from niche providers of financial management system software products, including Hyperion, Computron Software, and Lawson Associates.

INPUT Assessment

PeopleSoft's strengths include:

- Offering a product line that has been specifically designed to work on the client/server model of computing
- A complete suite of applications has put the company in a position to offer its full-

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client/server lines as a one-stop shopping for the enterprise

- Strong customer service organization
- Broad range of choices for customers, spanning platforms, implementation approaches and products

Challenges include:

- Managing the company's rapid growth
- Maintaining consistent, high-quality products and services in the face of a steady rise in revenue
- Successful delivery of the PeopleSoft Manufacturing suite of applications
- Continuing to expand product offerings into other areas of functionality and vertical markets
- Staying competitive with larger companies (SAP and Oracle)

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

June 1995

PeopleSoft, Inc.

President, Chairman,
Founder & CEO: David A. Duffield
4440 Rosewood Drive
Pleasonton, CA 94588-3031
Phone: (510) 225 3000
Fax: (510) 225-3100



Status:	Public
Employees:	791 (4/95)
Revenue:	$ 112,895,000
Fiscal Year End:	12/31/94

Key Points

- PeopleSoft specializes in financial management, distribution and human resources client/server applications software products.
- PeopleSoft has achieved an average growth rate of 134% over the last five years. Revenue for 1994 reached nearly $113 million, a 94% increase over 1993.
- In April 1995, PeopleSoft moved its corporate headquarters from Walnut Creek to Pleasanton (CA) in order to accommodate the company's dynamic growth in development, service and support.
- In April 1995, PeopleSoft established the PeopleSoft Open Workflow Partners Program, which will enable customers to use third-party workflow technologies, including interactive voice response, electronic mail, electronic forms and kiosks, with PeopleSoft Financials, Distribution and HRMS product lines.
- In January 1995, the company introduced three major new products including PeopleSoft Financials 3, PeopleSoft Distribution and PeopleSoft Financials for Public Sector.
- PeopleSoft is actively pursuing new vertical market initiatives targeted at health care,

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logistics, materials management, public sector and higher education markets.

- In November 1994, PeopleSoft was awarded a $5.1 million contract from the Canadian Federal government for a bilingual version of PeopleSoft HRMS.

- In November 1994, PeopleSoft announced a 2-for-1 stock split that increased the number of shares of common stock outstanding from approximately 12 million shares to 24 million shares.

Company Description

PeopleSoft, founded in 1987, designs, develops, markets and supports client/server financial system business applications, distribution applications and human resource management products for large to medium-size organizations worldwide.

- The PeopleSoft product family includes PeopleSoft Financial, PeopleSoft Distribution and PeopleSoft HRMS, integrated suites of client/server business applications, and PeopleTools, a complete set of client/server tools for application development and reporting.

- All PeopleSoft products are based on the Windows graphic user interface (GUI) and support a choice of relational database management systems (RDBMSs), including DB2, Informix, Oracle, SQLBase and SQL Server, running on mainframe, minicomputer or LAN server platforms.

Organization and Structure

PeopleSoft is headquartered in Pleasanton (CA).

In the U.S., the company has sales, marketing and customer service offices in Atlanta (GA), Chicago (IL), Columbia (MD), Dallas (TX), Framingham (MA), Incline Village (NV), Marlton (NJ), Minneapolis (MN), Philadelphia (PA) and Teaneck (NJ).

A product development and technical support office is in Pleasanton (CA).

Outside the U.S., sales, marketing and customer support offices are in Montreal, Ottawa, Richmond and Toronto (Canada); Amsterdam (The Netherlands); Paris (France); London (England); Melbourne and Sydney (Australia); Germany; Mexico and Singapore.

PeopleSoft distributors are in South Africa, Portugal, Spain and Brazil.

The company has subsidiary offices in the Netherlands, Australia, France, Germany, Canada, Mexico, the U.K., the U.S. and Singapore.

Company Strategy

PeopleSoft's mission is to be the market leader in client/server business applications software.

Elements of the company's strategy include:

- Supporting new and emerging technology standards as they are embraced

- Expanding its product line, including additional modules to the PeopleSoft Financials, PeopleSoft Distribution and PeopleSoft HRMS product families, as well as developing products for certain vertical markets, including the public sector and higher education.

- Introducing the PeopleSoft Manufacturing line of client/server applications by early 1996. Already under development, since September 1994, PeopleSoft Manufacturing will initially consist of seven modules.

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- Increasing its international presence by developing country-specific versions of its products and establishing offices outside the U.S.
- Continuing to focus on customer service
- Enhancing distribution channels through expansion of sales personnel and sales offices and forming relationships with RDBMS vendors, hardware vendors and certain consulting firms.

Financials

PeopleSoft's 1994 revenue reached $112.9 million, nearly double the 1993 revenue of $58.2 million. Net income rose from $8.4 million in 1993 to $14.5 million in 1994.

A five-year financial summary follows:

PeopleSoft, Inc.
Five-Year Financial Summary
($ Millions, except per share data)

	Fiscal Year				
Item	1994	1993	1992	1991	1990
Revenue	$112.9	$58.2	$31.6	$17.1	$6.1
• Percent change from previous year	94%	84%	85%	180%	228%
Income (loss) before taxes	$23.9	$13.7	$8.1	$3.1	$0.4
• Percent change from previous year	74%	69%	165%	608%	310%
Net income (loss)	$14.5	$8.4	$4.8	$1.9	$0.4
• Percent change from previous year	73%	74%	154%	353%	305%
Earnings (loss) per share (a)	$0.56	$0.33	$0.24	$0.10	$0.03
• Percent change from previous year	70%	38%	140%	233%	200%

(a) Restated to reflect a 2-for-1 stock split in November 1994.

PeopleSoft management attributes 1994 results to the following:

- License fees increased 82% due to increased acceptance of the company's products.
 - License fees from PeopleSoft HRMS rose from $30.3 million in 1993 to $50.8 million in 1994.
 - License fees from PeopleSoft Financials rose from $7.3 in 1993 to $13.6 million in 1994.
- Revenues from services rose 116% during 1994 as compared with a 111% increase during 1993. This growth was attributed to:
 - Increased licensing activity
 - Services being bundled into new license agreements

Total research and development expenses were approximately $14.5 million (13% of revenue) in 1994, $8.3 million (14% of

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revenue) in 1993 and $5.3 million (17% of revenue) in 1992.

Revenue Analysis by Product/Service

Approximately 61% of 1994 revenue was derived from software license fees and the remaining 39% from maintenance, training, support and consulting services.

A three-year summary of source of revenue by product/service follows:

PeopleSoft, Inc.
Three-Year Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1994		1993		1992	
Product/Service	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
License fees	$68.6	61%	$37.7	65%	$21.9	69%
Services	44.3	39%	20.5	35%	9.7	31%
Total	$112.9	100%	$58.2	100%	$31.6	100%

For 1994, approximately 74% of license revenue came from PeopleSoft HRMS products and 26% from PeopleSoft Financials products.

Interim Results

Revenue for the three months ending March 31, 1995 reached $40.1 million, a 100% increase over $20.1 million for the corresponding period in 1994. Net income rose 110%, from more than $2.2 million to nearly $4.7 million.

- Software license fees increased by 82% due to increased market acceptance and breadth of, PeopleSoft's product offerings and growth in sales, marketing and customer service organizations.
- Service revenue increased 126% due to increases in PeopleSoft's value attributed to services bundled into new contracts, increases in the installed base of customers receiving ongoing maintenance, training and other services and an increase in professional services consulting staff.

Market Financials

PeopleSoft's cross-industry products are marketed primarily to large and medium-sized organizations, including the Fortune 1000.

PeopleSoft has nearly 600 customers worldwide in the manufacturing, transportation, technology, financial services, health care, pharmaceutical, utility, transportation, education and government sectors.

Geographic Markets

Approximately 88% of PeopleSoft's 1994 revenue was derived from the U.S. and 12% from international sources.

A three-year summary of geographic source of revenue appears on the following page.

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PeopleSoft, Inc.
Three-Year Geographic Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1994		1993		1992	
Geographic Market	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
U.S.	$99.4	88%	$51.2	88%	$26.2	83%
International	13.5	12%	7.0	12%	5.4	17%
Total	$112.9	100%	$58.2	100%	$31.6	100%

To date, the majority of international revenue has come from Canada and sales to customers in Europe and Asia has not been significant. PeopleSoft is increasing its direct sales and support efforts in those areas.

Employees

As of December 31, 1994, PeopleSoft had 651 employees. The company dedicates over 35% of its staff to handle customer service in areas of account management, product support, professional services, education services and communication services.

Employees are segmented as follows:

Sales and marketing	186
Product development	151
Customer services	236
Administration	78
	651

The company currently has approximately 791 employees.

Key Products and Services

PeopleSoft's products were designed specifically for client/server environments, are integrated with Microsoft Windows, include an advanced graphical user interface (GUI), support a variety of popular RDBMSs and work with PeopleSoft's integrated application development toolset—PeopleTools.

PeopleSoft's products operate on a range of hardware platforms, including IBM mainframes, UNIX-based minicomputers from DEC, HP and others and PCs operating on LANs.

PeopleSoft's products can be licensed with the following RDBMSs and run on the indicated operating systems:

- Gupta's SQLBase (OS/2 and NLM)
- Microsoft's SQL Server (OS/2)
- Sybase's SQL Server (UNIX, UMS, NLM, SCO)
- IBM's DB2 (MVS) using connectivity products from either Gupta or Oracle
- DEC's Rdb (VMS)
- Oracle's ORACLE (UNIX, UMS, NLM, SCO and OS/2)
- HP's Allbase/SQL (MPE/XL)

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- Informix' INFORMIX-OnLine Dynamic Server (available the end of 1994)

Human Resource Management Systems

PeopleSoft HRMS is a family of fully integrated human resource management system products available in U.S. and Canadian versions. Release 4 was made available in September 1994. New features include Training Administration, Succession Planning, International Assignments, ADA Tracking and COBRA Administration.

PeopleSoft HRMS modules include the following:

- *PeopleSoft Human Resources*—This base human resources module provides support for the human resource function, including personnel administration (employee biographical information and recordkeeping), recruitment, position management, training and development, health and safety, skills inventory, career planning, affirmative action planning and EEO reporting.
- *PeopleSoft Benefits Administration*—Provides the capabilities required to support daily benefits administration activities and compliance with government regulations. It supports flexible and nonflexible benefits programs that require complex eligibility checking and open enrollment processing.
- *PeopleSoft FSA Administration*—This flexible spending account administration module provides a flexible benefits software solution for companies offering cafeteria benefits plans.
- *PeopleSoft Payroll*—This module provides a full in-house payroll administration and production facility and handles payroll calculations, check printing, tax reporting and deduction and benefit calculations and has audit trail and reporting capabilities.
- *PeopleSoft Payroll Interface*—This module provides an interface between PeopleSoft HRMS data and third party payroll systems for those companies that use their own payroll system or a payroll service bureau.
- *PeopleSoft Resume Reader*—Developed by RESTRAC, Inc. and released in the first quarter of 1994, this module converts resumes to on-line text for automatic processing, storage and retrieval and integrates with applicant tracking functions.

PeopleSoft has two new modules scheduled for release in the second half of 1995. They are *PeopleSoft Time and Labor* and *Pension Administration.*

License fees for the PeopleSoft HRMS products are a function of the specific hardware and RDBMS configuration, the particular combination of PeopleSoft HRMS modules chosen and the employee population of the entity using the software.

- List prices for license fees range from $110,000 (per module) for an open platform solution up to $440,000 for DB2 mainframe server implementations.
- These license fees include one copy of the software, system and user documentation, one year of product maintenance, a one-year product warranty, implementation support and product training for the project team.

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Financial Systems

The PeopleSoft Financials product family includes the following modules:

- *PeopleSoft General Ledger*—Released in 1992, this module provides financial analysis, flexible management reporting and general ledger accounting.
- *PeopleSoft Accounts Receivable*—Released in 1993, this module manages payments owed to the organization and will improve the organization's ability to collect payments in a timely fashion.
- *PeopleSoft Accounts Payable*—Released in 1993, this module provides payable and cash management functions.
- *PeopleSoft Asset Management*—This module manages the acquisition, maintenance, transfer, depreciation and retirement of fixed assets and tax compliance.

These products are now available on SQLBase, ORACLE and DB2, with other RDBMS platforms scheduled to follow.

License fees for PeopleSoft Financials products are a function of the specific hardware and RDBMS configuration and the particular combinations of modules chose. List prices for license fees currently range from $100,000 (per module) for an open platform solution to $400,000 for DB2 mainframe server implementations.

New financial modules that are scheduled for general release in the second half of 1995 include:

- *PeopleSoft Project Costing*—This module integrates operational and financial functions to allow users to perform tasks from managing complex capital projects to calculating revenue for billable projects.
- *PeopleSoft Billing*—This module offers the user a flexible approach for managing billing and adjustments, processing taxes, generating invoices and creating account distributions.

PeopleSoft Financials for the Public Sector

This product was introduced in January 1995 and is a version *of PeopleSoft Financials* specially designed for public sector organizations. It was developed jointly with Andersen Consulting and helps public sector organizations to control, monitor, administer and report on financial information.

PeopleSoft Distribution

The PeopleSoft Distribution product family is the latest suite of client/server applications to be offered by PeopleSoft and includes the following modules:

- *PeopleSoft Purchasing*—This module meets large organizations' demand requirements for requisitioning, purchasing and receiving raw materials, supplies, services, products and assets.
- *PeopleSoft Inventory*—This module provides the ability to store and issue stock in response to changing demands, track the movement of stock and automatically replenish stock as needed.

Future modules planned within the Distribution product line include Order Management and Distribution Requirements Planning applications.

Application Development Tools

PeopleSoft includes PeopleTools with each PeopleSoft application software product licensed.

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PeopleTools application development tools include the following:

- *Record Editor*—used to build new table definitions; to add, drop or modify fields in existing tables; and to facilitate field editing
- *PeopleCode*—programming language used for custom field-level calculations, edits, defaults and routines
- *Panel Editor*—used to build or modify GUI-based query and data entry screens
- *Menu Editor*—used to build or modify application windows and pull-down menus in a GUI environment
- *Operator Security Editor*—controls the scope and level of data accessibility provided to individuals and classes of users
- *Object Security Editor*—allows read or modification access to individual objects and groups of objects, including records, panels, menus or tree structures
- *Help Editor*—creates and modifies on-line help text, including field and panel level help, corporate procedures and user procedures
- *Import Utility*—speeds the loading of data generated by other systems into the RDBMS server for access by PeopleSoft's application products
- *Upgrade Manager*—facilitates customer upgrades to successive versions of the application, while retaining all the functionality and feature modifications made by the customer
- *Tree Editor*—used to build hierarchical relationships between different data elements within a given table, such as among departments or accounts
- *PeopleSoft Query*—used to build SQL queries that extract and summarize information from an application's database
- *PeopleSoft nVision*—Integrates PeopleSoft Financials modules with Microsoft's Excel in the production of financial statements, responsibility reports and other ad hoc financial reports and analyses.

PeopleSoft also offers PeopleTools to PeopleSoft existing software customers who are interested in developing their own custom, internal client/server business applications.

In May 1995, PeopleSoft announced plans for its PeopleSoft Manufacturing suite of client/server applications. Already under development, since September 1994, PeopleSoft Manufacturing will initially consist of seven modules—PeopleSoft Engineering, Bills of Material, Master Scheduling, Material Requirements Planning (MRP), Capacity Planning, Production Control and Cost Management.

PeopleSoft plans to deliver the PeopleSoft Manufacturing suite of applications in early 1996.

Services and Customer Support

PeopleSoft's service and support for each customer is included in the application license fee and is coordinated by an account manager. In addition to managing the account relationship, the account manager is responsible for coordinating PeopleSoft's installation, training, consulting and support services.

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Services available include the following:

- *Customer Education and Training*—PeopleSoft offers a comprehensive education and training program to customers' project teams, including third-party consultants. Training classes are offered through in-house training facilities in the San Francisco Bay Area, in the New York metropolitan area and in the Chicago metropolitan area.

 Training for customer project teams is included in the software license fee. PeopleSoft provides on-site training to additional customer staff for a fee plus travel expenses. Fees for training services are generally priced at $450 per training unit (representing one student day of training).

- *Software Maintenance and Support*—PeopleSoft provides 24-hour hotline telephone support handled by a computerized call tracking and problem reporting system. An automated Lotus Notes-based bulletin board (PS/Forum) provides subscribing customers with realtime information on incidents, bugs and resolutions.

 Initial product licenses include the first year of maintenance support. Thereafter, ongoing maintenance contracts are offered to customers and are renewable on an annual basis. Annual maintenance fees are generally 15% to 17% of the then current list price of products under license.

- *Technical Support and Product Design Services*—PeopleSoft offers a variety of consulting services to its customers, including systems integration, strategic implementation planning, upgrade implementation and product customization. PeopleSoft also works with third-party consulting and systems integration firms to provide customers with a full range of installation, customization and project management services.

Clients

Communications/Information—AT&T, Capital Cities/ABC, McCaw Cellular, Scripps Howard, NYNEX Telesector Resources, Pacific Bell, Times Mirror, Turner Corporation, U S WEST, Warner Bros.

Education—Cornell University, Edmonton Public Schools, Houston Community College, MIT/Lincoln Laboratories, National Academy of Sciences, National Education Association, Northwestern University, University of British Columbia, University of Michigan, York University

Energy—BP Oil, British Columbia Hydro and Power, Canadian Occidental Petroleum, Delmarva Power & Light Co., Detroit Edison Co., Interprovincial Pipe Line, Los Angeles Department of Water and Power, Ontario Hydro, Sonat Offshore, Wisconsin Electric Power

Finance and Insurance—American Family Insurance Group, Bankers Trust New York Corp., Blue Cross/Blue Shield—New Jersey, GE Capital, Goldman Sachs, IDS Financial Services, John Hancock, Norwest Corporation, NASD, New York Stock Exchange, Swiss Bank Corp., The Equitable, Transamerica Occidental Life Insurance Company

Government— Canada Council, Canadian Federal Government, International Monetary Fund, New Jersey Highway

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Authority, State of Nevada, State of New York, State of Kansas

Health Care/Pharmaceutical—Alcon Labs, Beth Israel Hospital, Burroughs Wellcome Co., Calgary General Hospital, Children's Hospital of Wisconsin, Eli Lilly and Co., United States Surgical Corp.

Manufacturing/Distribution/Other—Alcoa, Allied Signal, Bell & Howell, Black & Decker, Brown & Root, Continental Grain Co., Gerber Products Co., Gillette, Hill's Pet Nutrition, Inc., Honda, Honeywell, Owens-Corning Fiberglas Corp., Promon Engenharia Ltd., Quaker Oats Co., Siemens, The Turner Corporation, Whirlpool

Retail/Food Services—Bradlees, KMart Corp., KMart, Pepsi, Pizza Hut International, Taco Bell, Toys R Us, TCG International

Technology—Conner Peripherals, Cray Research, Hewlett-Packard Co., Lotus Development Corp., Microsoft, Tandem Computers

Transportation—Airborne Freight Corp., British Columbia Transit, Canadian Airlines, Kansas City Southern Railway Co., Malaysia Airlines, United Airlines, Yellow Freight System.

Marketing and Sales

PeopleSoft markets and sells its products and services throughout North America and certain other locations around the world through direct sales offices and distributors located in the U.S., Canada, Europe, Asia/Pacific, Africa and Latin America.

The company's business partnerships with more than 40 major hardware, software and consulting firms deliver application functionality, relational databases and hardware for clients implementing client/server applications.

In order to meet the demands of its growing client base, PeopleSoft has set up 11 regional customer support centers throughout the U.S., Canada, Europe and Asia/Pacific. The company serves customers in more than 25 countries.

PeopleSoft's products are also distributed through marketing agreements with Automatic Data Processing, Inc. (ADP), Electronic Data Systems (EDS) and Andersen Consulting.

Alliances

A key aspect of PeopleSoft's sales and marketing strategy is to build and maintain strong working relationships with businesses that PeopleSoft believes play an important role in the successful marketing of its products. These include the following:

- Hardware vendors—Offering hardware and proprietary RDBMS products on which PeopleSoft's products operate
- RDBMS vendors—Provide products on which PeopleSoft's products run
- PeopleSoft Financials, Manufacturing and HRMS Implementation Partners—Technology consulting firms providing PeopleSoft Financials and HRMS customers with various implementation solutions to help them move to client/server-based systems
- Application Partners—Provide software products that are complementary to PeopleSoft's products

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- Systems Integration Partners—Assist PeopleSoft customers to successfully implement client/server solutions
- Open Workflow Partners—Allow PeopleSoft customers to workflow-enable PeopleSoft's client/server applications using third-party messaging technology.

A listing of vendors with which PeopleSoft has various agreements is summarized in the following exhibit:

Exhibit

PeopleSoft Alliances

Hardware Vendors	RDBMS Vendors	Implementation Partners	Application Vendors	Systems Integration Partners	Workflow Partners
Digital Equipment Groupe Bull Hewlett-Packard IBM AT&T Global Info Sequent Sun Microsystems Unisys	Gupta Hewlett-Packard IBM Informix Microsoft Oracle Sybase	Andersen Consulting (1) (3) The Application Group (1) Beacon Application Services Corp. (1) Business Information Technology Inc. (1) DataStudy, Inc.(1) Delteq Systems (2) Deloitte & Touche (1) Dimension Systems (1) Ernst & Young (1) The Hunter Group Inc. (1) IBM Singapore (2) Noblestar (1) The Pinnacle Group (1) Price Waterhouse (1) Ramos & Associates (2) Sierra Systems (2) Technology Solutions Co (1) User Technology Services (2)	Crystal Services Datalogix International Federal Liaison Services Lotus Development William M. Mercer, Inc. Microsoft RESTRAC TALX Corporation Wyatt Software Intermec	Axciom Consulting Group Inc. Corporate Software DEC Entex Information Services Inc. Gateway Group IBM PRC Inc. Sequent Computer Systems SHL Systemhouse Technology Solutions The Registry	Computer Communications Specialists Edify Corporation ESSENSE Systems JetForm Corporation TALX Corporation

(1) PeopleSoft Financials Implementation Partners

(2) PeopleSoft HRMS Implementation Partners

(3) PeopleSoft Manufacturing Partners

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Some alliances are listed below:

In March 1995, PeopleSoft entered into a development and marketing partnership with Linguistic Technology of Acton (MA) to provide PeopleSoft customers with the capability of performing on-line queries in English instead of using Structured Query Language (SQL) commands.

In January 1995, PeopleSoft and Intermec formed a joint development and marketing partnership to deliver an integrated solution for asset management inventory and tracking.

In October 1994, PeopleSoft and Informix announced a joint development partnership to provide PeopleSoft Financials and PeopleSoft HRMS on INFORMIX-OnLine Dynamic Server.

In October 1994, PeopleSoft announced a business alliance with Unisys to deliver PeopleSoft Financials and HRMS on the Unisys U 6000 family of symmetric multiprocessor servers.

Competitors

HRMS software competitors include Cyborg, Dun & Bradstreet Software, GENESYS Software, Integral Systems, Oracle Corporation, Ross Systems, SAP and Ceridian (Tesseract).

Primary financial software competitors include Dun & Bradstreet Software, Oracle, Platinum Software, Ross Systems, SAP and Walker Interactive Systems.

INPUT Assessment

PeopleSoft's strengths include:

- Offering a product line that has been specifically designed to work on the client/server model of computing
- A complete suite of applications has put the company in a position to offer its full-client/server lines as a one-stop shopping for the enterprise
- Strong customer service organization
- Broad range of choices for customers, spanning platforms, implementation approaches and products

Challenges include:

- Managing the growth of a + $100 million company
- Maintaining consistent, high-quality products and services in the face of a steady rise in revenue
- Successful delivery of the PeopleSoft Manufacturing suite of applications
- Continuing to expand product offerings into other areas of functionality and vertical markets
- Staying competitive with larger companies (SAP and Oracle)

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

October 1994

PeopleSoft, Inc.

President & CEO: David A. Duffield
1331 North California Boulevard
Walnut Creek, CA 94596
Phone: (510) 946-9460
Fax: (510) 946-9461

Status:	Public
Employees:	560 (9/94)
Revenue:	$ 58,191,000
Fiscal Year End:	12/31/93

Key Points

- PeopleSoft specializes in financial management and human resources client/server applications software products.
- PeopleSoft has achieved an average growth rate of 144% over the last five calendar years. Revenue for the first six months of 1994 exceeded $45 million, up 93% over the same period in 1993.
- PeopleSoft has recently been ranked number 26 in *Fortune's* annual list of America's 100 Fastest Growing Companies and was the highest ranked independent software vendor on the list.
- PeopleSoft's full suite of financial applications—PeopleSoft Financials—became available during 1993 and generated revenue of $7.3 million for the year. PeopleSoft Financials 2.2—the latest upgrade—was released in June 1994.
- PeopleSoft is actively pursuing new vertical market initiatives targeted at health care, public sector and higher education markets.
- The company has expanded its presence in international markets with office openings in the U.K., France, Canada, Australia and Singapore.

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PEOPLESOFT is a registered trademark of PeopleSoft, Inc.

Company Description

PeopleSoft, founded in 1987, designs, develops, markets and supports client/server financial system business applications and human resource management products for large to medium-size organizations worldwide.

- The PeopleSoft product family includes PeopleSoft Financial and PeopleSoft HRMS, integrated suites of client/server business applications, and PeopleTools, a complete set of client/server tools for application development and reporting.

- All PeopleSoft products are based on the Windows graphic user interface (GUI) and support a choice of relational database management systems (RDBMSs) running on mainframe, minicomputer or LAN server platforms.

In November 1992, PeopleSoft made an initial public offering of approximately 2.3 million shares of common stock. A second public offering in May 1993 netted the company approximately $13.2 million.

Structure and Operations

PeopleSoft is headquartered in Walnut Creek (CA).

In the U.S., the company has sales, marketing and customer service offices in Atlanta (GA), Chicago (IL), Columbia (MD), Dallas (TX), Framingham (MA), Incline Village (NV), Marlton (NJ), Minneapolis (MN), Philadelphia (PA) and Teaneck (NJ).

A product development and technical support office is in Pleasanton (CA).

Outside the U.S., sales, marketing and customer support offices are in Montreal, Ottawa, Richmond and Toronto (Canada); Amsterdam (The Netherlands); Paris (France); London (England); Melbourne and Sydney (Australia); and Singapore.

PeopleSoft distributors are in South Africa, Greece, Portugal, Spain, Brazil and Venezuela.

Company Strategy

PeopleSoft's mission is to be the market leader in client/server business applications software.

Elements of the company's strategy include:

- Supporting new and emerging technology standards as they are embraced

- Expanding its product line, including additional modules to the PeopleSoft Financials and PeopleSoft HRMS product families, as well as developing products for certain vertical markets, including the public sector and higher education.

- Increasing its international presence by developing country-specific versions of its products and establishing offices outside the U.S.

- Continuing to focus on customer service

- Enhancing distribution channels through expansion of sales personnel and sales offices and forming relationships with RDBMS vendors, hardware vendors and certain consulting firms.

Financials

PeopleSoft's 1993 revenue reached $58.2 million, an 84% increase over 1992 revenue of $31.6 million. Net income rose from $4.8 million in 1992 to more than $8.4 million in 1993

A five-year financial summary follows:

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PeopleSoft, Inc.
Five-Year Financial Summary
($ Millions, except per share data)

	Fiscal Year				
Item	1993	1992	1991	1990	1989
Revenue	$58.2	$31.6	$17.1	$6.1	$1.9
• Percent change from previous year	84%	85%	180%	228%	956%
Income (loss) before taxes	$13.7	$8.1	$3.1	$0.4	$(0.2)
• Percent change from previous year	69%	165%	608%	310%	56%
Net income (loss)	$8.4	$4.8	$1.9	$0.4	$(0.2)
• Percent change from previous year	74%	154%	353%	305%	56%
Earnings (loss) per share	$0.66	$0.48	$0.20	$0.07	$(0.07)
• Percent change from previous year	38%	140%	186%	200%	59%

PeopleSoft management attributes 1993 results to the following:

- License fees increased 72% due to increased acceptance of the company's products. License fees from PeopleSoft HRMS rose from $21.6 million in 1992 to $30.3 million in 1993. License fees from PeopleSoft Financials rose from $250,000 in 1992 to $7.3 million in 1993. In 1992, the company released its first PeopleSoft Financials module—PeopleSoft General Ledger—and by the end of 1993 the company had released for use on SQLBase and ORACLE platforms, Version 2.1 of PeopleSoft General Ledger, PeopleSoft Accounts Receivable, PeopleSoft Accounts Payable and PeopleSoft Asset Management.
- Revenues from services rose 111% due to increased licensing activity.

Total research and development expenses were approximately $8.3 million (14% of revenue) in 1993, $5.3 million (17% of revenue) in 1992 and $2.9 million (17% of revenue) in 1991.

Revenue Analysis by Product/Service

Approximately 65% of 1993 revenue was derived from software license fees and the remaining 35% from maintenance, training, support and consulting services. A three-year summary of source of revenue by product/service follows:

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PeopleSoft, Inc.
Three-Year Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1993		1992		1991	
Product/Service	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
License fees	$37.7	65%	$21.9	69%	$12.8	75%
Services	20.5	35%	9.7	31%	4.3	25%
Total	$58.2	100%	$31.6	100%	$17.1	100%

For 1993, approximately 80% ($30.3 million) of license revenue came from PeopleSoft HRMS products and 19% ($7.3 million) from PeopleSoft Financials products.

Interim Results—Revenue for the six months ending June 30, 1994 reached $45 million, a 93% increase over $23.4 million for the same period in 1993. Net income rose 67%, from more than $3.1 million to nearly $5.3 million.

- Software license fees increased by 82% due to increased market acceptance and breadth of, PeopleSoft's product offerings and growth in sales, marketing and customer service organizations.

- Service revenue increased 110% due to increases in PeopleSoft's value attributed to services bundled into new contracts, increases in the installed base of customers receiving ongoing maintenance, training and other services and an increase in professional services consulting staff.

Market Financials

PeopleSoft's cross-industry products are marketed primarily to large and medium-sized organizations, including the Fortune 1000.

PeopleSoft has nearly 500 customers worldwide in the manufacturing, transportation, technology, financial services, health care, pharmaceutical, utility, transportation, education and government sectors.

Geographic Markets

Approximately 88% of PeopleSoft's 1993 revenue was derived from the U.S. and 12% from international sources.

A three-year summary of geographic sources of revenue follows:

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PeopleSoft, Inc.
Three-Year Geographic Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1993		1992		1991	
Geographic Market	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
U.S.	$51.2	88%	$26.2	83%	$14.7	86%
International	7.0	1%	5.4	17%	2.4	14%
Total	$58.2	100%	$31.6	100%	$17.1	100%

To date, the majority of international revenue has come from Canada and sales to customers in Europe and Asia has not been significant. PeopleSoft is increasing its direct sales and support efforts in those areas. In addition to direct sales and support offices in Canada and The Netherlands, in 1993 PeopleSoft opened direct sales and support offices in the U.K., France, Australia and Singapore.

Employees

As of December 31, 1993, PeopleSoft had 362 employees, segmented as follows:

Sales and marketing	104
Product development	84
Customer services	137
Administration	37
	362

PeopleSoft currently has approximately 560 employees worldwide.

Key Products and Services

PeopleSoft's products were designed specifically for client/server environments, are integrated with Microsoft Windows, include an advanced graphical user interface (GUI), support a variety of popular RDBMSs and work with PeopleSoft's integrated application development toolset—PeopleTools.

PeopleSoft's products operate on a range of hardware platforms, including IBM mainframes, UNIX-based minicomputers from DEC, HP and others and PCs operating on LANs.

PeopleSoft's products can be licensed with the following RDBMSs and run on the indicated operating systems:

- Gupta's SQLBase (OS/2 and NLM)
- Microsoft's SQL Server (OS/2)
- Sybase's SQL Server (UNIX, UMS, NLM, SCO)
- IBM's DB2 (MVS) using connectivity products from either Gupta or Oracle
- DEC's Rdb (VMS)
- Oracle's ORACLE (UNIX, UMS, NLM, SCO and OS/2)
- HP's Allbase/SQL (MPE/XL)

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- Informix' INFORMIX-OnLine Dynamic Server (available the end of 1994)

Human Resource Management Systems

PeopleSoft HRMS is a family of fully integrated human resource management system products available in U.S. and Canadian versions. Release 4 was made available in September 1994. New features include Training Administration, Succession Planning, International Assignments, ADA Tracking and COBRA Administration.

PeopleSoft HRMS modules include the following:

- *PeopleSoft Human Resources*—This base human resources module provides support for the human resource function, including personnel administration (employee biographical information and recordkeeping), recruitment, position management, training and development, health and safety, skills inventory, career planning, affirmative action planning and EEO reporting.
- *PeopleSoft Benefits Administration*—Provides the capabilities required to support daily benefits administration activities and compliance with government regulations. It supports flexible and nonflexible benefits programs that require complex eligibility checking and open enrollment processing.
- *PeopleSoft FSA Administration*—This flexible spending account administration module provides a flexible benefits software solution for companies offering cafeteria benefits plans.
- *PeopleSoft Payroll*—This module provides a full in-house payroll administration and production facility and handles payroll calculations, check printing, tax reporting and deduction and benefit calculations and has audit trail and reporting capabilities.
- *PeopleSoft Payroll Connection*—This module provides an interface between PeopleSoft HRMS data and third party payroll systems for those companies that use their own payroll system or a payroll service bureau.
- *PeopleSoft Resume Reader*—Developed by RESTRAC, Inc. and released in the first quarter of 1994, this module converts resumes to on-line text for automatic processing, storage and retrieval and integrates with applicant tracking functions.

PeopleSoft also plans to develop additional PeopleSoft HRMS modules, including PeopleSoft Labor Distribution, PeopleSoft Time and Attendance and PeopleSoft Pension Administration. Availability is scheduled for 1995.

License fees for the PeopleSoft HRMS products are a function of the specific hardware and RDBMS configuration, the particular combination of PeopleSoft HRMS modules chosen and the employee population of the entity using the software.

- List prices for license fees range from $110,000 (per module) for an open platform solution up to $440,000 for DB2 mainframe server implementations.
- These license fees include one copy of the software, system and user documentation, one year of product maintenance, a one-year product warranty, implementation support and product training for the project team.

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Financial Systems

The PeopleSoft Financials product family includes the following modules:

- *PeopleSoft General Ledger*—Released in 1992, this module provides financial analysis, flexible management reporting and general ledger accounting.
- *PeopleSoft Accounts Receivable*—Released in 1993, this module manages payments owed to the organization and will improve the organization's ability to collect payments in a timely fashion.
- *PeopleSoft Accounts Payable*—Released in 1993, this module provides payable and cash management functions.
- *PeopleSoft Asset Management*—This module manages the acquisition, maintenance, transfer, depreciation and retirement of fixed assets and tax compliance.
- *PeopleSoft Purchasing*—Released in September 1994, this module meets large organizations' demanding requirements for requisitioning, purchasing and receiving raw materials, supplies, services, products and assets.
- *PeopleSoft nVision*—Integrates PeopleSoft Financials modules with Microsoft's Excel in the production of financial statements, responsibility reports and other ad hoc financial reports and analyses.

These products are now available on SQLBase, ORACLE and DB2, with other RDBMS platforms scheduled to follow.

PeopleSoft intends to develop additional PeopleSoft Financials modules, including PeopleSoft Project Cost, PeopleSoft Budget Administration, PeopleSoft Inventory, PeopleSoft Order Processing and PeopleSoft Billing. These modules will be available with PeopleSoft Financials 3.0, which is scheduled for release by the end of 1994.

License fees for PeopleSoft Financials products are a function of the specific hardware and RDBMS configuration and the particular combinations of modules chose. List prices for license fees currently range from $100,000 (per module) for an open platform solution to $400,000 for DB2 mainframe server implementations.

Application Development Tools

PeopleSoft includes PeopleTools with each PeopleSoft application software product licensed.

PeopleTools application development tools include the following:

- *Record Editor*—used to build new table definitions; to add, drop or modify fields in existing tables; and to facilitate field editing
- *PeopleCode*—programming language used for custom field-level calculations, edits, defaults and routines
- *Panel Editor*—used to build or modify GUI-based query and data entry screens
- *Menu Editor*—used to build or modify application windows and pull-down menus in a GUI environment

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- *Operator Security Editor*—controls the scope and level of data accessibility provided to individuals and classes of users
- *Object Security Editor*—allows read or modification access to individual objects and groups of objects, including records, panels, menus or tree structures
- *Help Editor*—creates and modifies on-line help text, including field and panel level help, corporate procedures and user procedures
- *Import Manager*—speeds the loading of data generated by other systems into the RDBMS server for access by PeopleSoft's application products
- *Upgrade Manager*—facilitates customer upgrades to successive versions of the application, while retaining all the functionality and feature modifications made by the customer
- *Tree Editor*—used to build hierarchical relationships between different data elements within a given table, such as among departments or accounts
- *PeopleSoft Query*—used to build SQL queries that extract and summarize information from an application's database

PeopleSoft also offers PeopleTools to PeopleSoft existing software customers who are interested in developing their own custom, internal client/server business applications.

Services and Customer Support

PeopleSoft's service and support for each customer is included in the application license fee and is coordinated by an account manager. In addition to managing the account relationship, the account manager is responsible for coordinating PeopleSoft's installation, training, consulting and support services.

Services available include the following:

- *Customer Education and Training*—PeopleSoft offers a comprehensive education and training program to customers' project teams, including third-party consultants. Training classes are offered through in-house training facilities in the San Francisco Bay Area, in the New York metropolitan area and in the Chicago metropolitan area.

 Training for customer project teams is included in the software license fee. PeopleSoft provides on-site training to additional customer staff for a fee plus travel expenses. Fees for training services are generally priced at $450 per training unit (representing one student day of training).

- *Software Maintenance and Support*—PeopleSoft provides 24-hour hotline telephone support handled by a computerized call tracking and problem reporting system. An automated Lotus Notes-based bulletin board (PS/Forum) provides subscribing customers with realtime information on incidents, bugs and resolutions.

 Initial product licenses include the first year of maintenance support. Thereafter, ongoing maintenance contracts are offered to customers and are renewable on an annual basis. Annual maintenance fees are generally 15% to 17% of the then current list price of products under license.

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- *Technical Support and Product Design Services*—PeopleSoft offers a variety of consulting services to its customers, including systems integration, strategic implementation planning, upgrade implementation and product customization. PeopleSoft also works with third-party consulting and systems integration firms to provide customers with a full range of installation, customization and project management services.

Clients

Communications/Information—AT&T, Capital Cities/ABC, McCaw Cellular, Scripps Howard, NYNEX Telesector Resources, Pacific Bell, Times Mirror, Turner Broadcasting, U S WEST, Warner Bros

Education—Cornell University, Edmonton Public Schools, Houston Community College, MIT/Lincoln Laboratories, National Academy of Sciences, National Education Association, Northwestern University, University of British Columbia

Energy—BP Oil, British Columbia Hydro and Power, Canadian Occidental Petroleum, Delmarva Power & Light Co., Detroit Edison Co., Interprovincial Pipe Line, Los Angeles Department of Water and Power, Ontario Hydro, Sonat Offshore, Wisconsin Electric Power

Finance and Insurance—American Family Insurance Group, Bankers Trust New York Corp., Blue Cross/Blue Shield—New Jersey, Goldman Sachs, IDS Financial Services, John Hancock, Norwest Corporation, NASD, New York Stock Exchange, Swiss Bank Corp., The Equitable, Transamerica Occidental Life Insurance Company

Government— Canada Council, Canadian Federal Government, International Monetary Fund, New Jersey Highway Authority, State of Nevada, State of New York, State of Kansas

Health Care/Pharmaceutical—Alcon Labs, Beth Israel Hospital, Burroughs Wellcome Co., Calgary General Hospital, Children's Hospital of Wisconsin, Eli Lilly and Co., United States Surgical Corp.

Manufacturing/Distribution/Other— Alcoa, Allied Signal, Bell & Howell, Black & Decker, Brown & Root, Continental Grain Co., Gerber Products Co., Gillette, Hill's Pet Nutrition, Inc., Honda, Honeywell, Owens-Corning Fiberglas Corp., Promon Engenharia Ltd., Quaker Oats Co., Siemens, The Turner Corporation, Whirlpool

Retail/Food Services—Bradlees, KMart Corp., KMart Canada, Ltd., Pepsi, Pizza Hut International, Taco Bell, Toys R Us, TCG International

Technology—Conner Peripherals, Cray Research, Hewlett-Packard Co., Lotus Development Corp., Microsoft, Tandem Computers

Transportation—Airborne Freight Corp., British Columbia Transit, Kansas City Southern Railway Co., Malaysia Airlines, United Airlines, Yellow Freight System.

Marketing and Sales

PeopleSoft markets and sells its products and services throughout North America and certain other locations around the world via an organization of approximately 200 employees based at offices located in the U.S., Canada, Europe and Asia.

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PeopleSoft's products are also distributed through marketing agreements with Automatic Data Processing, Inc. (ADP), Electronic Data Systems (EDS) and Andersen Consulting.

Alliances

A key aspect of PeopleSoft's sales and marketing strategy is to build and maintain strong working relationships with businesses that PeopleSoft believes play an important role in the successful marketing of its products. These include the following:

- Hardware vendors—Offering hardware and proprietary RDBMS products on which PeopleSoft's products operate
- RDBMS vendors—Provide products on which PeopleSoft's products run
- PeopleSoft Financials and HRMS Implementation Partners—Technology consulting firms providing PeopleSoft Financials and HRMS customers with various implementation solutions to help them move to client/server-based systems
- Application Partners—Provide software products that are complementary to PeopleSoft's products
- Systems Integration Partners—Assist PeopleSoft customers to successfully implement client/server solutions

A listing of vendors with which PeopleSoft has various agreements is summarized in the following exhibit:

Exhibit

PeopleSoft Alliances

Hardware Vendors	RDBMS Vendors	Implementation Partners	Application Vendors	Systems Integration Partners
Digital Equipment Groupe Bull Hewlett-Packard IBM AT&T Global Info Sequent Sun Microsystems Unisys	Gupta Hewlett-Packard IBM Informix Microsoft Oracle Sybase	Andersen Consulting (1) The Application Group (1) Beacon Application Services Corp. (1) Business Information Technology Inc. (1) DataStudy, Inc.(1) Delteq Systems (2) Deloitte & Touche (1) Dimension Systems (1) Ernst & Young (1) The Hunter Group Inc. (1) IBM Singapore (2) Noblestar (1) The Pinnacle Group (1) Price Waterhouse (1) Ramos & Associates (2) Sierra Systems (2) Technology Solutions Co (1) User Technology Services (2)	Crystal Services Datalogix International Federal Liaison Services Lotus Development William M. Mercer, Inc. Microsoft RESTRAC TALX Corporation Wyatt Software	Axciom Consulting Group Inc. Corporate Software DEC Entex Information Services Inc. Gateway Group IBM PRC Inc. Sequent Computer Systems SHL Systemhouse Technology Solutions

(1) PeopleSoft Financials Implementation Partners

(2) PeopleSoft HRMS Implementation Partners

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In October 1994, PeopleSoft and Informix announced a joint development partnership to provide PeopleSoft Financials and PeopleSoft HRMS on INFORMIX-OnLine Dynamic Server.

In October 1994, PeopleSoft announced a business alliance with Unisys to deliver PeopleSoft Financials and HRMS on the Unisys U 6000 family of symmetric multiprocessor servers.

Competitors

HRMS software competitors include Cyborg, Dun & Bradstreet Software, GENESYS Software, Integral Systems, Oracle Corporation, Ross Systems, SAP and Ceridian (Tesseract).

Primary financial software competitors include Dun & Bradstreet Software, Oracle, Platinum Software, Ross Systems, SAP and Walker Interactive Systems.

INPUT Assessment

PeopleSoft's strengths include:

- Offering a product line that has been specifically designed to work on the client/server model of computing
- Strong customer service organization
- Broad range of choices for customers, spanning platforms, implementation approaches and products

Challenges include:

- Managing the growth of a + $100 million company
- Maintaining consistent, high-quality products and services in the face of a steady rise in revenue
- Continuing to expand product offerings into other areas of functionality and vertical markets
- Staying competitive with larger companies (SAP and Oracle)

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INPUT

PEOPLESOFT, INC.

1331 North California Boulevard
Walnut Creek, CA 94596
Phone: (510) 946-9460
Fax: (510) 946-9461

Chairman & CEO:	David A. Duffield
Status:	Public
Employees:	188
Revenue:	$31,565,000
FYE:	12/31/92

Key Points

- PeopleSoft specializes in financial management and human resources applications software products that use client/server technology. PeopleSoft applications are supplied as client/server applications, designed specifically to take advantage of Microsoft's Windows' client and SQL data bases.
- In 1992, PeopleSoft experienced an 85% revenue growth rate, a 25% pre-tax profit margin, and a 165% increase in earnings.
- PeopleSoft characterizes itself as a close-knit team of systems designers, engineers, marketers, and customer service personnel who specialize in emerging technologies, human resources, and financial systems. PeopleSoft has also gained recognition in the software industry for the experience and quality of its management team.
- In 1992, PeopleSoft raised $35 million through an initial public offering of 3,000,000 shares.
- One key competitive advantage that PeopleSoft has in the market place is the high productivity level of each employee. At approximately $240,000 per employee, productivity is much higher than industry averages.

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Company Description

PeopleSoft, founded in 1987, specializes in financial management and human resources applications software products that use client-server technology. The products are designed for use throughout medium- and large-sized organizations. The company's first product, the PeopleSoft Human Resource Management System (PS/HRMS), was released in April 1989.

PeopleSoft's founder, David A. Duffield, previously founded two other software firms.

- Information Associates, Inc. (IA), founded in 1968, was Duffield's first company. IA developed financial, human resources, and student information systems for public colleges and universities, and is now a part of Systems and Computer Technology.

- In 1972, Duffield founded Integral Systems, currently a major player in the mainframe human resource software market. He remained chairman and chief product architect at Integral Systems until his departure to form PeopleSoft in 1987.

Structure/ Operations

PeopleSoft sells its products and services through its direct sales force, with seven sales offices located throughout the U.S. and Canada.

PeopleSoft's headquarters are located in Walnut Creek, California. PeopleSoft also has sales and service offices in Atlanta, Georgia, Bloomington, Minnesota, Boston, Massachusetts, Carson City, Nevada, Chicago, Illinois, Columbia, Maryland, Teaneck, New Jersey, and Toronto, Canada.

PeopleSoft International consists of several wholly-owned subsidiaries, including; PeopleSoft Europe, which is headquartered in PeopleSoft's Amsterdam office, PeopleSoft Asia, based in Singapore, PeopleSoft Australia, and PeopleSoft France S.A.

Company Strategy

Technology Strategy

PeopleSoft's mission is to lead the global market for client/server business software. To do so PeopleSoft has positioned their products to address the following current market and technology trends:

- Increased desktop computing power

- Increased use of GUIs

- Inexpensive local storage

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- Sophisticated relational databases

- Heterogeneity of computing environments

- Movement of mission-critical business applications to client/server environments

PeopleSoft has specifically designed its products to work on the client/server model of computing. In this model, processing is distributed between personal computer client and the server, with clients running Microsoft Windows or Windows NT connected to the following server platforms; MVS, VMS, UNIX, MPE, OS/2 and Windows NT. The products work on a wide range of hardware platforms, including IBM mainframes, UNIX-based minicomputers for Digital Equipment Corporation, Hewlett-Packard computers and personal computers operating on a local-area network.

The company's target market includes Fortune 1000 companies and medium-sized organizations or divisions requiring enterprise-level software applications.

PeopleSoft is the market leader in client/server Human Resource (HR) software arena. However, since its entry into the market two years ago, competition has significantly increased as other established HR vendors, and new start-ups rush to bring out their own client/server products.

With the announcement of plans for financial applications, PeopleSoft is positioning itself to enter a new arena. The company faces a major challenge in moving from its initial niche market in human resources to a broader market with differing software requirements and a new set of buyers.

One of PeopleSoft's strategic goals is to expand its international presence. The company currently offers a Canadian version PS/HRMS which addresses specific Canadian regulatory and tax requirements. In 1991, PeopleSoft established its initial international sites in Western Europe and the Far East. During 1992, PeopleSoft commenced international sales activities and established a support operation in the Netherlands.

In addition, PeopleSoft, to enhance distribution of its PS/HRMS and PeopleTools products, recently entered into a licensing agreement with ADP under which ADP may sublicense these products to third parties in the United States and selected other countries.

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Financials

PeopleSoft reported 1992 revenue of approximately $32 million, a 85% increase over its 1991 revenue of $12.7 million. A five-year financial summary follows:

PEOPLESOFT, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands)

	FISCAL YEAR				
ITEM	1992	1991	1990	1989	1988
Revenue	$31,565	$17,137	$6,108	$1,860	$176
· Percent increase from previous year	85%	180%	228%	956%	
Net income (loss) Before taxes	$8,082	$3,051	$431	$(205)	$(470)
· Percent increase from previous year	165%	608%	310%	56%	
Net Income (loss) per share	$.48	$.20	$.07	$(.07)	$(.17)

Alliances

On June 16, 1993, PeopleSoft and Datalogix International, Inc. announced an agreement under which they will integrate portions of their client/server applications. The agreement covers PeopleSoft's HRMS human resource applications and Datalogix's Global Enterprise Manufacturing Management System (GEMMS).

In 1992, Peoplesoft signed an agreement with Automated Data Processing (ADP) to license PeopleSoft's PS/HRMS product line to its clients in the United States and internationally. This agreement is designed to provide a channel for PeopleSoft products to a smaller company market.

The following chart indicates the multiple development and marketing agreements PeopleSoft has formed:

System Vendors	Consultants	Distributors	RDBMS vendors
Digital Equipments	Andersen Consulting	EDS	Gupta
Groupe Bull	Coopers & Lybrand	ADP	Microsoft
Hewlett-Packard	Ernst & Young		Oracle
IBM	Mercer		Sybase
NCR	Price Waterhouse		
Sequent	Towers Perrin		
Sun Microsystems	Wyatt Company		

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Employees

As of December 31, 1992, PeopleSoft had 188 employees, segmented as follows:

Research and Development	24%
General and Administration	10%
Customer Service	43%
Sales and Marketing	23%

Competition

PeopleSoft currently offers human resource management systems and plans to offer financial system application software products. The markets for both these products are very competitive. The primary competitors for HRMS products are: Cyborg Systems, Dun & Bradstreet Software, Genesys, Integral Systems, Oracle Corporation, Ross Systems, Inc. and Tesseract.

Competitors in the financial systems market include: ASK Group, Computer Associates, Dun & Bradstreet Software Corporation, Integral Systems, Oracle, Platinum Software Corporation, Ross Systems, Inc., SAP America and Walker Interactive Systems.

Key Products and Services

Approximately 71% of PeopleSoft's 1992 revenue was derived from software product licenses. The remaining 29% was derived from professional services. There are currently over 100 client companies using PeopleSoft PS/HRMS products.

PeopleSoft products are based on an architecture using GUIs, multiple RDBMs, multiple hardware platforms, distributed processing, and application development tools.

Human Resource Systems:

PeopleSoft's primary software product is the PS/HRMS human resource system that includes payroll, personnel, and employee benefits applications. PeopleSoft HRMS 3.0 was introduced in 1992. This new release of the HRMS product line includes two new modules; international functionality and career planning. The product has a Microsoft Windows graphical user interface, and operates on a variety of computers, midrange and SQL data bases (DB2, DEC RdB, Gupta SQLBase, HP Allbase, Microsoft SQL Server, Oracle, and Sybase System 10).

PS/HRMS 3.0 is a family of fully integrated human resource management system products available in U.S. and Canadian versions.

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- PS/HR-includes basic functions to support the administrative, planning, and management functions of a human resources department. Functions of this component include personnel administration, recruitment, position management, training and development, health and safety, skills inventory career planning, affirmative action planning, and government compliance reporting for EEO. With the PS/HR module as a foundation, the following modules can be added.

- PS/Benefits-A benefits administration module that provides support for daily benefits administration activities. This module supports both flexible and nonflexible benefits programs requiring eligibility checking, open enrollment processing, and other automatic enrollment processing capabilities. This module also provides for user-defined benefit eligibility criteria, enrollment rules, and flexible credit calculations as well as open enrollment and event maintenance.

- PS/FSA-A flexible spending account (FSA) administration module offering a comprehensive flexible benefits software solution. The module includes capabilities for FSA claims tracking and processing, extensive editing to ensure that funds are available and support for check preparation for reimbursements.

- PS/Payroll controls payroll department operations such as time reporting, payroll computation, tax calculations, payroll reporting, and tax reporting.

- PS/Paylink-This module provides an interface between the PS/HRMS data and third party payroll systems.

The PS/HRMS system design is based on client-server architecture. The system can be operated across multiple platforms. LANs and mainframe gateways may be used to provide access to a mainframe server running DB2. PeopleSoft delivered Release 3.0 of its PS/HRMS family of products in February 1993.

PS/HRMS pricing depends upon the hardware platform, RDBMS configuration for the system, the PS/HRMS modules chosen, and the employee population of the company using the software. List prices for license fees range from $130,000 to $490,000 for PC workstation implementations, from $160,000 to $600,000 for minicomputer server implementation and from $230,000 to $800,000 for mainframe server implementations. These license fees include one copy of the software, system and user documentation, one year of product maintenance, a one-year product warranty, implementation support, and training.

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Financial Systems:

In 1992, PeopleSoft released the first two modules of the PeopleSoft financial application product line. The three-year development effort culminated with the release of PeopleSoft General Ledger (PS/GL) and its companion, PS/nVision, an interactive query and reporting tool.

In February 1993, PeopleSoft announced delivery dates for three new PeopleSoft Financials products, PeopleSoft Accounts Receivable (PS/AR), PeopleSoft Accounts Payable (PS/AP), and PeopleSoft Asset Management (PS/AM). Both PS/AR and PS/AP are planned for beta release in the second quarter of 1993, and PS/AM is schedule for beta release in the third quarter.

PS/GL (available since the second quarter of 1992) functionality includes unlimited chart of accounts, customer-defined ledgers, graphical maintenance of organizational structures using the PeopleTools Tree Editor, flexible calendars, enhanced journal entry processing, budgeting and allocations. PS/nVision enables users to easily produce reports.

PS/AR (available the second quarter of 1993) manages cash collection and customer receivables for a wide variety of industries and provides information to improve cash and credit management.

PS/AP (available the second quarter of 1993) authorizes and records the obligation and payment of invoices, while providing tracking features to better deploy corporate resources.

PS/AM (available the third quarter of 1993) provides the features necessary to record the acquisition, depreciation, and retirement of capitalized assets. It will manage "non-traditional" asset information such as maintenance contracts and schedules, upgrade options, resale schedules, insurance coverage, replacement options, budgets, and lease terms.

Development Tools:

PeopleSoft includes a license to PeopleTools, a customization and development tool with each application software product shipped.

In 1993, PeopleSoft announced plans to market PeopleTools to customers and prospects as a separate product line. PeopleTools runs in the Microsoft Windows graphical environment, enabling analysts to build mission-critical applications using components that maximize application development productivity.

PeopleTools consists of the following:

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Record Editor-tool that builds new table definitions to add, drop or modify files in existing tables and support filed editing;

PeopleCode-an extension to the Record Editor which is a simple programming language used for custom field-level calculations, edits, defaults, and routines;

Panel Editor-builds a graphical user interface-based query and data entry screens or modifies existing screens;

Menu Editor-builds or modifies pull-down menus;

Operator Security Editor-controls the scope and level of data accessibility;

Help Editor-creates and modifies on-line help text;

Import Utility-speeds the loading of data generated by other systems into the RDBMS server;

Upgrade Manager-supports customer upgrades to successive versions of PeopleTools applications while retaining all functionality and feature modifications made by the customer;

Object Security Manager-used to allow read or modification access to individual objects and groups of objects, including records, panels, menus, or tree structures;

Tree Editor-an end-user editor used to build hierarchical relationships between different data elements within a given table;

PS/nVision-an end-user tool designed for use with PS/GL and ultimately PS/HRMS, to produce financial statements, responsibility reports and other ad hoc reports and analyses.

Professional Services:

PeopleSoft provides support services to its clients, including software installation, customer training classes, and hotline support. Fee-based consulting services for assistance in system implementations and annual system audits are also available.

Industry Markets

PeopleSoft primarily targets Fortune 1000 companies and medium-sized organization or divisions requiring enterprise-level software applications. The product lines offered are cross-industry applications.

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With the introduction of financial applications, PeopleSoft hopes to position itself as a leader in financial business application software products using graphical user interface, relational data bases, and client-server technology.

Clients

The following companies are PeopleSoft application clients:

PeopleSoft HRMS:

Alberta Energy Company, Ltd, American Family Insurance Group, American General Corporation, Anadarko Petroleum Corporation, ASARCO, Inc., AT&T, BP Chemicals, The Canada Council, Capital Cities/ABC, Continental Grain, Delmarva Power & Light Company, Honeywell, Kmart Corporation, Kellogg Canada, Lubrizol Corporation, Mead Data Central, Monsanto Corporation, Quaker Oats, the State of Delaware, Swiss Bank Corporation, Taco Bell, Turner Corporation, The Washington Post, Western Michigan University

PeopleSoft Financials:

Alcoa U.S:A., Alcoa of Australia, Calgary General Hospital, Goldman Sachs & Co., IDS Financial Corporation, Liquor Distribution Branch of British Columbia, McKee Foods, National Association of Securities Dealers, NCR, Ontario Hydro, Virginia Farm Bureau,

Geographic Markets

INPUT estimates that 95% of PeopleSoft's 1992 revenue came from North American sales and the remaining 5% from international sales.

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PEOPLESOFT, INC.

1331 North California Boulevard
Walnut Creek, CA 94596
Phone: (510) 946-9460
Fax: (510) 946-9461

Chairman & CEO:	David A. Duffield
Status:	Public
Employees:	173
Revenue:	$31,565,000
FYE:	12/31/92

Key Points

- PeopleSoft specializes in human resources and financial management applications software products that use client/server workstation technology. PeopleSoft applications are supplied as client/server applications, supporting Windows client and SQL data bases.
- PeopleSoft characterizes itself as a close-knit team of systems designers, engineers, marketers, and customer service personnel who specialize in emerging technologies, human resources, and financial systems.
- In 1992, PeopleSoft raised $35 million through a stock offering of 3,000,000 shares.
- PeopleSoft has gained recognition in the software industry for the experience and quality of its management team.
- PeopleSoft has had a lawsuit pending since 1990 that has been brought by Integral Systems, charging PeopleSoft with copyright infringement and misappropriation of trade secrets. This lawsuit was settled out of court in 1992.

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Company Description

PeopleSoft, founded in 1987, specializes in human resources and financial management applications software products that use client-server workstation technology. The products are designed for use throughout medium- and large-sized organizations. The company's first product, the PeopleSoft Human Resource Management System (PS/HRMS), was released in April 1989.

PeopleSoft's founder, David A. Duffield, previously founded two other software firms.

- Information Associates, Inc. (IA), founded in 1968, was Duffield's first company. IA develops financial, human resources, and student information systems for public colleges and universities, and is now a subsidiary of D&B Software.

- In 1972, Duffield founded Integral Systems, currently a major player in the mainframe human resource software market. He remained chairman and chief product architect at Integral Systems until his departure to form PeopleSoft in 1987.

Structure/ Operations

PeopleSoft's headquarters are located in Walnut Creek (CA). PeopleSoft also has sales and service offices in Atlanta (GA), Bloomington (MN), Chicago (IL), Columbia (MD), Teaneck (NJ) and Toronto, Canada.

Company Strategy

PeopleSoft has specifically designed its products to work on the client/server model of computing. The products work on a wide range of hardware platforms, including IBM mainframes, UNIX-based minicomputers for Digital Equipment Corporation, Hewlett-Packard computers and personal computers operating on a local-area network.

The company's target market includes Fortune 1000 companies and medium-sized organizations or divisions requiring enterprise-level software applications.

PeopleSoft is the market leader in client/server Human Resource (HR) software arena. However, since its entry into the market two years ago, competition is significantly increasing as other established HR vendors, and new start-ups rush to bring out their own client/server products.

With the announcement of plans for financial applications, PeopleSoft is positioning itself to enter a new arena. The company faces a major challenge in moving from its initial niche market in human resources to

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a broader market with differing software requirements and a new set of buyers.

One of PeopleSoft's strategic goals is to expand its international presence. The company currently offers a Canadian version PS/HRMS which addresses specific Canadian regulatory and tax requirements. In 1991, PeopleSoft established its initial international sites in Western Europe and the Far East. During 1992, PeopleSoft commenced international sales activities and established a support operation in the Netherlands.

Financials

PeopleSoft reported 1992 revenue of $ 31 million, a ___% increase over its 1991 revenue of $12.7 million. A five-year financial summary follows:

PEOPLESOFT, INC.
FIVE-YEAR FINANCIAL SUMMARY
($ thousands)

	FISCAL YEAR				
ITEM	1992	1991	1990	1989	1988
Revenue	$31,565	$17,137	$6,108	$1,860	$176
· Percent increase from previous year	84%	180%	228%	956%	
Net income (loss) Before taxes	$8,082	$3,051	$431	$(205)	$(470)
· Percent increase from previous year	165%	608%	310%	56%	
Net Income (loss) per share	$.48	$.20	$.07	$(.07)	$(.17)

Alliances

In 1992, Peoplesoft signed an agreement with Automated Data Processing (ADP) to license PeopleSoft's PS/HRMS product line to its clients in the United States and internationally.

Development and marketing agreements have been formed with Hewlett-Packard (HP) and Microsoft.

- Under the agreement with HP, the two companies will develop an HP Allbase/SQL server version of PeopleSoft products for the HP 3000 on the MPE operating system. HP will use the PS/HRMS internally, and the HP sales organization will market the system to HP 3000 clients and prospects.

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- Under the Microsoft agreement, PeopleSoft will be a member of Microsoft's SQL Server Industry Specialist Program. Microsoft is implementing PS/HRMS for internal use, and will join PeopleSoft's fall 1991 sales seminar series, presenting information on Microsoft Windows™, PeopleSoft's user interface, and other Microsoft products that may be used with PeopleSoft products.

PeopleSoft is also a value-added reseller (VAR) for Oracle and Sybase.

Employees

As of September 31, 1992, PeopleSoft had 173 employees.

Competition

PeopleSoft currently offers human resource management systems and plans to offer financial system application software products. The markets for both these products are very competitive. The primary competitors for HRMS products are: Cyborg, Dun & Bradstreet Software, Genesys, Integral Systems, Oracle Corporation, Ross Systems, Inc. and Tesseract.

Competitors in the financial systems market include: ASK Group, Computer Associates, Dun & Bradstreet Software Corporation, Integral Systems, Oracle, Platinum Software Corporation, Ross Systems, Inc., SAP America and Walker Interactive Systems.

Key Products and Services

Approximately 71% of PeopleSoft's 1992 revenue was derived from software product licenses. The remaining 29% was derived from professional services.

Human Resource Systems:

PeopleSoft's primary software product is the PS/HRMS human resource system that includes payroll, personnel, and employee benefits applications. The product has a Microsoft Windows 5.0 graphical user interface, and operates on a variety of computers (LANs, midrange computers, and IBM mainframes) and SQL data bases (DB2, Gupta SQLBase, Microsoft SQL Server, and Oracle). PeopleSoft plans to add support for other SQL data bases beginning with HP Allbase/SQL on HP 3000 and Oracle on HP/UX 9000 later this year.

PS/HRMS includes three main components: payroll, personnel, and employee benefits:

- The payroll component controls payroll department operations such as time reporting, payroll computation, tax calculations, payroll reporting, and tax reporting.

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- PS/HRMS Human Resources (personnel) includes basic functions to support the administrative, planning, and management functions of a human resources department. Functions of this component include employee recordkeeping, compensation administration, government compliance reporting for EEO and affirmative action, grievance and disciplinary tracking, and health and safety information.

 - Additional components included with PS/HRMS are Recruitment, Position Control, Career Planning, Training and Development, and Skills Inventory.

- PS/HRMS Benefits integrates with PS/HRMS Payroll and Human Resources, and provides support for daily benefits administration and management reporting for benefits cost control and regulatory compliance. The system contains functions for plan initiation and enrollment, calculation of benefit costs and payroll deductions for benefit plans, benefits statements and other communications to employees, COBRA and 401(k) plan administration, leave accruals, and flexible benefit plan administration.

The PS/HRMS system design is based on client-server architecture. The system can be operated across multiple platforms. LANs and mainframe gateways may be used to provide access to a mainframe server running DB2.

PS/HRMS pricing depends upon the hardware platform for the system. A basic LAN configuration begins at $150,000; the top of the price range is approximately $700,000 for a configuration with a DB2 mainframe server.

Reporting Tools:

PeopleSoft sells a proprietary reporting tool for use with PS/HRMS, and recommends a number of other third-party products to be used with PS/HRMS for various types of reporting.

- SQR is PeopleSoft's SQL-based production reporting tool that is designed for reports to be run on a regular basis.

- PeopleSoft also recommends use of a number of third-party reporting tools: SQLTALK/Windows for on-line queries, Borland International's Reflex for user reporting, and Microsoft Excel for statistical analyses and graphical output.

Customization Tools:

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PeopleSoft's proprietary system customization and application development facilities are called PeopleTools. PeopleTools comes with the PS/HRMS software. The PS/HRMS system was built using these tools, which may be used for prototyping and to shorten development time required to build custom modules for PS/HRMS.

Financial Systems:

In 1992, PeopleSoft released the first two modules of the PeopleSoft financial application product line. The three-year development effort culminated with the release of PeopleSoft General Ledger (PS/GL) and its companion, PS/nVision, an interactive query and reporting tool.

These modules are to be followed in early 1993 by accounts payable, accounts receivable, and fixed assets applications.

Professional Services:

PeopleSoft provides support services to its clients, including software installation, customer training classes, and hotline support. Fee-based consulting services for assistance in system implementations and annual system audits are also available.

Industry Markets

PeopleSoft primarily targets Fortune 1000 companies and medium-sized organization or divisions requiring enterprise-level software applications. The product lines offered are cross-industry applications.

With the introduction of financial applications, PeopleSoft hopes to position itself as a leader in financial business application software products using graphical user interface, relational data bases, and client-server technology.

Clients

The following companies are PeopleSoft application clients:

PeopleSoft HRMS:

Alberta Energy Company, Ltd, American Family Insurance Group, American General Corporation, Anadarko Petroleum Corporation, ASARCO, Inc., AT&T, BP Chemicals, The Canada Council, Capital Cities/ABC, Delmarva Power & Light Company, Honeywell, Kmart Corporation, Kellogg Canada, Lubrizol Corporation, Mead Data Central, the State of Delaware, Swiss Bank Corporation, The Washington Post, Western Michigan University

PeopleSoft Financials:

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The Equitable Life Assurance Society, Goldman, Sachs & Co.

Geographic Markets

INPUT estimates that virtually all of PeopleSoft's 1992 revenue came from North American sales.

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PEOPLESOFT, INC.
1331 North California Boulevard
Walnut Creek, CA 94596
(415) 946-9460

David A. Duffield, Chairman, President, and CEO
Private Corporation
Total Employees: 93 (8/91)
Total Revenue, Fiscal Year End 12/31/90: $8,000,000

The Company

PeopleSoft, founded in 1987, specializes in human resources and financial management applications software products that use client-server workstation technology. The company's first product, the PeopleSoft Human Resource Management System (PS/HRMS), was released in April 1989.

PeopleSoft's founder, David A. Duffield, previously founded two other software firms.

- Information Associates, Inc. (IA), founded in 1968, was Duffield's first company. IA develops financial, human resources, and student information systems for public colleges and universities, and is now a subsidiary of D&B Software.

- In 1972, Duffield founded Integral Systems, currently a major player in the mainframe human resource software market. He remained Chairman and Chief Product Architect at Integral Systems until his departure to form PeopleSoft in 1987.

While growing swiftly (the company currently has just under 100 employees compared to 48 at the end of 1990), PeopleSoft still characterizes itself as a close-knit team of systems designers, engineers, marketers, and customer service personnel who specialize in emerging technologies, human resources, and financial systems.

In April 1991, PeopleSoft made a number of public announcements indicative of the company's plans for future growth:

- Four regional sales and support offices have been formed to serve the Northeast, Mid-Atlantic, Midwest, and Southeast regions. The company also has offices in Canada.

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- PeopleSoft has received $5 million dollars in venture capital funding from Norwest Venture Capital to accelerate development of a new line of financial applications. A general ledger application, the first financial product planned, has been in development since 1989 when PS/HRMS was released. Accounts payable and accounts receivable products are also planned.

- Development and marketing agreements have been formed with Hewlett-Packard (HP) and Microsoft.

 - Under the agreement with HP, the two companies will team to develop an HP Allbase/SQL server version of PeopleSoft products for the HP 3000 on the MPE operating system. HP will use the PS/HRMS internally, and the HP sales organization will market the system to HP 3000 clients and prospects.

 - Under the Microsoft agreement, PeopleSoft will be a member of Microsoft's SQL Server Industry Specialist Program. Microsoft is implementing PS/HRMS for internal use, and will join PeopleSoft's fall 1991 sales seminar series, presenting information on Microsoft Windows™, PeopleSoft's user interface, and other Microsoft products that may be used with PeopleSoft products.

- PeopleSoft is also a value-added reseller (VAR) for both Oracle and Sybase.

PeopleSoft has had a lawsuit pending since 1990 that has been brought by Integral Systems, charging PeopleSoft with copyright infringement and misappropriation of trade secrets. This does not appear to have slowed PeopleSoft's momentum in the market to a great degree, although some large prospects are said to be delaying implementations.

- In July 1991, PeopleSoft successfully defended itself against a preliminary injunction filed by Integral that sought to bar PeopleSoft from selling its product until the final conclusion of the lawsuit.

PeopleSoft reported 1990 revenues of $8 million, a 300% increase over its first year of product sales in 1989, when the company generated $2 million. A two-year financial summary follows:

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PEOPLESOFT, INC.
TWO-YEAR FINANCIAL SUMMARY
($ millions)

	FISCAL YEAR	
ITEM	1990	1989
Revenue	$8.0	$2.0
· Percent Increase from previous year	300%	--
Net income	2.0	.25
· Percent increase from previous year	800%	--

As of December 31, 1990, PeopleSoft had 65 employees. The company currently has 93 employees. PeopleSoft plans to expand its staff to approximately 110 employees by the end of 1991.

PeopleSoft's feels that its primary competitors are Tesseract Corp., D&B Software, and Integral Systems. All three companies are traditional heavyweights in the mainframe human resource software arena and are well established with major North American corporations, the market which PeopleSoft has targeted with its client-server-based software.

- All three competitors currently offer cooperative processing solutions, and D&B Software has recently announced plans to migrate its PC-based applications to a client-server platform.

Key Products and Services

Approximately 90% of PeopleSoft's 1990 revenue was derived from software product licenses. The remaining 10% was derived from professional services. There are currently over 30 client companies using PeopleSoft products.

Human Resource Systems:

PeopleSoft's primary software product is the PS/HRMS human resource system that includes payroll, personnel, and employee benefits applications. The product has a Microsoft Windows 5.0 graphical user interface, and operates on a variety of computers (LANs, midranges, and IBM mainframes) and SQL data bases (DB2, Gupta SQLBase, Microsoft SQL Server, and Oracle). PeopleSoft plans to add support for other SQL data bases beginning with HP Allbase/SQL on HP 3000 and Oracle on HP/UX 9000 later this year.

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PS/HRMS includes three main components: payroll, personnel, and employee benefits:

- The payroll component controls payroll department operations such as time reporting, payroll computation, tax calculations, payroll reporting, and tax reporting.

- PS/HRMS Human Resources (personnel) includes basic functions to support the administrative, planning, and management functions of a human resources department. Functions of this component include employee recordkeeping, compensation administration, government compliance reporting for EEO and affirmative action, grievance and disciplinary tracking, and health and safety information.

 - Additional components included with PS/HRMS include Recruitment, Position Control, Career Planning, Training and Development, and Skills Inventory.

- PS/HRMS Benefits integrates with PS/HRMS Payroll and Human Resources, and provides support for daily benefits administration and management reporting for benefits cost control and regulatory compliance. The system includes functions for plan initiation and enrollment, calculation of benefit costs and payroll deductions for benefit plans, benefits statements and other communications to employees, COBRA and 401(k) plan administration, leave accruals, and flexible benefit plan administration.

The PS/HRMS system design is based on client-server architecture. The system can be operated across multiple platforms. LANs and mainframe gateways may be used to provide access to a mainframe server running DB2.

PS/HRMS pricing is dependent on the hardware platform the system will run on. A basic LAN configuration begins at $150,000; the top of the price range is approximately $700,000 for a configuaration with a DB2 mainframe server.

Reporting Tools:

PeopleSoft sells a proprietary reporting tool for use with PS/HRMS, and recommends a number of other third-party products to be used with PS/HRMS for various types of reporting.

- SQR is PeopleSoft's SQL-based production reporting tool that is designed for reports to be run on a regular basis.

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- PeopleSoft also recommends use of a number of third-party reporting tools: SQLTALK/Windows for on-line queries, Borland International's Reflex for user reporting, and Microsoft Excel for statistical analyses and graphical output.

Customization Tools:

PeopleSoft's proprietary system customization and application development facilities are called PeopleTools. PeopleTools comes with the PS/HRMS software. The PS/HRMS system was built using these tools, which may be used for prototyping as well as to shorten development time required to build custom modules to add on to PS/HRMS.

Financial Systems:

PeopleSoft plans to initially offer a general ledger product, to be followed by accounts payable, accounts receivable, and fixed assets applications. The general ledger product, PS/GL, has been in development since 1989, and is scheduled for release in the fourth quarter of 1991. The other financial applications are scheduled for release in late 1992 and 1993.

Professional Services:

PeopleSoft provides support services to its clients, including software installation, customer training classes, and hotline support. Fee-based consulting services for assistance in system implementations and annual system audits are also available.

Industry Markets

PeopleSoft's primary target market is sophisticated firms, usually Fortune 1000 companies, that are not phased by the software's $150,000 to $700,000 price tag, and that want to use client-server technology for their human resources systems.

- With the introduction of financial applications, PeopleSoft hopes to position itself as a leader in business application software products using graphical user interface, relational data bases, and client-server technology.

Geographic Markets

INPUT estimates that virtually all of PeopleSoft's 1990 revenue came from North American sales.

PeopleSoft has sales and services offices in Walnut Creek (CA), Atlanta, Oakbrook Terrace (IL), Teaneck (NJ), Columbia (MD), and Toronto.

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Strategies

PeopleSoft has had the client-server Human Resource (HR) software arena practically to itself since its entry into the market two years ago, but now other established HR vendors are scrambling to bring out their own LAN-based products.

- The company has had a competitive advantage as a new entrant to the HR software market in that it did not have to please an existing customer base when designing a new product.

- INPUT research has shown the majority of potential HR software buyers are not yet ready to move to client-server technology. Most of PeopleSoft's sales have been to "early adopters" of this technology. It remains to be seen whether the company's one-year lead will remain a major advantage over the long haul.

With the announcement of plans for financial applications, PeopleSoft is positioning itself to enter a new arena. The company's founders and most of its staff come from a human resources background, and the company faces a major challenge in moving from a niche market to a broader market with its own software needs and a new set of buyers.

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program

June 1997

Perot Systems Corporation

12377 Merit Drive
Suite 1100
Dallas, TX 75251
Phone: (972) 383-5600
Fax: (972) 455-4157
Internet: http://www.ps.net

1-2 Finsbury Ave.
London, EC4V 3SB
United Kingdom

Chairman:	Mort Meyerson
President & CEO:	James A. Cannavino
Status:	Private
Employees:	5,000 (6/97)
Revenue:	$599,438,000
Fiscal Year End:	12/31/96

Key Points

- Perot Systems Corporation provides information technology and business transformation services to various markets.
- In June 1997, Perot Systems acquired Syllogic, B.V., a Netherlands-based company specializing in systems management, data warehousing, and data mining applications and services.
- In June 1997, Perot Systems made a $9 million offer to acquire the assets of Nets Inc., an on-line commerce company.
- In March 1997, Perot Systems purchased a controlling stake in Icarus Consulting AG from Icarus and SwissAir Corp., resulting in 70% ownership of the firm.
- In March 1997, Perot Systems' Healthcare Group introduced its Web-accessible Healthcare Solutions Model for integrated health care networks.
- In February 1997, the company acquired the Benton International, Inc. consulting organization that pioneered the concept of electronic funds payments.

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- In November 1996, Perot Systems acquired the Chicago-based Doblin Group, a strategic design planning firm.
- In October 1996, the company acquired The Technical Resource Connection, Inc., a provider of distributed object-oriented consulting services.
- In September 1996, Perot Systems acquired CommSys, a leading vendor of customized telecommunications billing software and services.
- In September 1996, James Cannavino assumed the position of Chief Executive Officer, succeeding Mort Meyerson in the position. Mr. Meyerson has remained with the company in his previously held position as Chairman of the Board.
- In August 1996, Perot Systems announced that James A. Champy, a leading authority and best-selling author on business reengineering and organizational change, had joined the company as Chairman of the consulting practice.
- In August 1996, the company acquired Rothwell International, an object-oriented application development firm.

Company Description

Perot Systems was formed in 1988 by H. Ross Perot and certain former EDS employees to provide systems integration, systems operations, and associated professional services.

The company has major customers in the financial services, insurance, health care, travel and leisure, manufacturing, telecommunications, and energy industries in North America, Europe, and Asia.

Organization and Structure

Perot Systems is headquartered in Dallas (TX) and has approximately 50 offices in the U.S., Europe, and Asia.

U.S. offices are located in Alhambra, Encinitas, Los Angeles, and Rosemead (CA); Colorado Springs and Englewood (CO); Stamford (CT); Maitland and Tampa (FL); Atlanta (GA); Chicago and Lisle (IL); Cedar Rapids (IA); Lexington (KY); Cambridge (MA); Auburn Hills, Hubbard, Romulus, Plymouth, and Troy (MI); Minneapolis (MN); Bethpage and New York City (NY); Charlotte (NC); Tulsa (OK); Mechanicsburg (PA); Dallas, Houston, and Richardson (TX); Reston (VA); and Meqon (WI).

European offices are located in Paris and Villepinte (France); Düsseldorf, Frankfurt, Hamburg, and Wilhelmshaken (Germany); Basel and Zurich (Switzerland); Chelmsford, Croydon, Dublin, Leeds, London, Heathrow, Nottingham, Slough, and Swindon (U.K.); and The Netherlands. Asian offices are located in Hong Kong, Singapore, India, and Tokyo (Japan).

The company delivers services primarily through its U.S. offices in Dallas (TX), Reston (VA), Auburn Hills (MI), and an office in Windsor (England).

Perot Systems' current organizational structure is summarized in Exhibit 1.

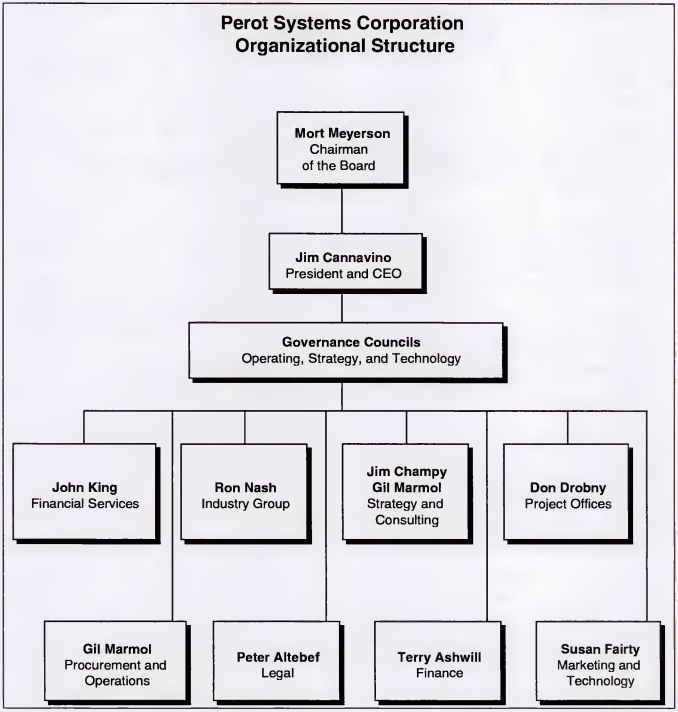
Perot Systems has subsidiaries as follows:

- HPS, located in New Delhi (India), provides off-shore development services in addition to handling client engagements in the Pacific Rim region.
- Systor, located in Basel (Switzerland), provides financial information technology services.

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Exhibit 1

Perot Systems Corporation Organizational Structure



Source: Perot Systems

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- Rothwell International, based in Houston (TX), provides object-oriented software development and consulting services.

- The Technical Resource Connection, Inc., located in Tampa (FL), provides distributed object-oriented consulting services.

- Benton International, Inc., in Los Angeles (CA), provides consulting in the area of electronic commerce to the financial services industry.

- Syllogic, B.V., located in the Netherlands, provides systems management, data warehousing, and data mining applications and services.

Employees

As of December 31, 1996, Perot Systems had 4,378 full-time employees, compared to 2,987 the year before. The company currently has 5,000 employees.

Company Strategy

Perot Systems is dedicated to being the best at service design and delivery through aggressive education and training of its associates, strategic partnering, and acquisitions.

Perot Systems' approach to IT services is customer driven, focusing on providing flexible and creative solutions to help clients improve their business performance. The company provides clients with the option to select specific services, to partner with Perot Systems, or to commission project work.

Perot Systems also offers a variety of payment options, including everything from fixed fee to joint-venture partnerships, and in some cases equity relationships. Perot Systems also practices the concept of risk/reward, in which the terms and conditions of payment are dependent upon the success of the engagement.

Perot Systems has formalized the customer-driven concept into three general categories that help the company group and package its resources:

- Customer Relationship Management
 - Customer Acquisition—Services designed to increase a customers' business
 - Customer Care—Products and services designed to help customers retain their own customers
- Operational Efficiencies—Technologies and services that help customers operate more productively and keep costs down
- Business Solutions Design and Development—Solutions that help customers quickly design and develop their own business solutions, using modern technology for things such as sales force automation and self-service intranet applications

Acquisitions

Over the past year, Perot Systems has made several acquisitions that are central to its growth and technology strategy. The terms of the transactions were not disclosed.

- In June 1997, Perot Systems made a $9 million offer to acquire the assets of Nets Inc., the Cambridge (MA)-based on-line commerce company that has filed for Chapter 11 bankruptcy. Perot Systems has recently hired approximately 40 former employees of Nets Inc., including Mark Teflian, former chief technology officer at Nets Inc.

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- In June 1997, Perot Systems acquired Syllogic, B.V., a Netherlands-based company specializing in systems management, data warehousing, and data mining applications and services.
 - Syllogic has offices in the U.S., Ireland, and the U.K., strengthening Perot Systems' presence in the U.K.
 - The company has approximately 125 employees, and clients in the financial services, manufacturing, and technology industries.
 - Syllogic will become a wholly owned subsidiary of Perot Systems.
- In March 1997, Perot Systems purchased a controlling stake of Icarus Consulting AG from Icarus' management and SwissAir Corp., resulting in 70% ownership of the firm. Perot has a fixed option to purchase the remaining 30% share from SAir Group, the holding company of SwissAir, over a three-year period.
 - Icarus is a Zurich (Switzerland)- and Frankfurt (Germany)-based "profit-management" consultancy that specializes in improving business processes, logistics, and information technology.
 - The firm serves major European air carriers, forwarders, hotels, the German railway system, and the German Navy.
 - The acquisition of Icarus furthers Perot Systems' expansion into European markets, as well as bringing in a strong travel and transportation consulting capability to the company.
 - At the time of the acquisition, Icarus had approximately 30 consultants, with plans to triple in size over the next few years.
- In February 1997, the company acquired the Los Angeles (CA)-based Benton International, Inc., a consulting firm that specializes in electronic commerce and the financial services industry.
 - Benton has offices in Tampa (FL), New York (NY), Buenos Aires, Bogota, and London (U.K.).
 - The firm's clients include banks in the U.S., Europe, and Latin America.
 - Benton has become a wholly owned subsidiary of Perot Systems.
- In November 1996, Perot Systems acquired the Chicago-based Doblin Group, a strategic design planning firm and pioneer in "user-centered" strategy. The Doblin Group has a specialized strategy practice that combines the disciplines of business planning, social science research, and design to reengineer mature companies and create start-up ventures.
- In October 1996, the company acquired The Technical Resource Connection, Inc., a Tampa (FL)-based provider of distributed object-oriented consulting services.
 - At the time of the acquisition, The Technical Resource Connection had annual revenues of more than $22 million and 150 employees.
 - The company works with clients in the transportation, insurance, financial, communications, and media markets.
 - The Technical Resource Connection has become a wholly owned subsidiary of Perot Systems.

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- In September 1996, Perot Systems acquired CommSys, a provider of billing, telemanagement, and communications services to major telecommunication organizations worldwide. CommSys has become a wholly owned subsidiary of Perot Systems.
- In August 1996, Perot Systems acquired Rothwell International, a Houston (TX)-based consulting company that specializes in object-oriented software development and implementation.
 - At the time of the acquisition, Rothwell had approximately 70 employees.
 - Some of Rothwell's clients include Texaco, Prudential, and Duke Power.
 - Rothwell has become a wholly owned subsidiary of Perot Systems.

Financials

Perot Systems' 1996 revenue reached nearly $600 million, an increase of 75% over revenue of $342 million in 1995. Net income grew 90%, to almost $20.5 million in 1996.A four-year revenue summary is shown in Exhibit 2:

Exhibit 2

Perot Systems Corporation
Four-Year Worldwide Revenue Summary
($ Millions, except Revenue per employee)

Item	Fiscal Year			
	1996	1995	1994	1993
Revenue	$600	$342	$300*	$220*
• Percent change from previous year	75%	14%	36%	47%
Revenue per employee	$136,920	$118,158	N/A	N/A

Source: Perot Systems;
** INPUT estimates*

Revenue Analysis by Product/Service Mode

INPUT estimates that Perot Systems' 1996 revenue was derived approximately as follows:

Systems operations	40%
Systems integration	30%
Professional services	30%
	100%

Market Financials

Perot Systems derives significant revenue from customers in the banking and financial services, energy, telecommunications, health care, transportation, retail, and travel and leisure industries.

Geographic Markets

Approximately 55% of Perot Systems' 1996 revenue was derived from the U.S, 40% from Europe, and 5% from Asia, compared to 70% from the U.S. and 30% from Europe in 1995.

Key Products and Services

Perot Systems provides information technology and business transformation services to customers in various markets. Services include:

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- Strategy
- Change management
- Business process reengineering
- Design business activities
- Organizational design
- IS design
- Network architecture
- Application architecture
- Application design
- Functional design
- Technical design
- Systems integration/migration
- Systems development
- Implementation
- Operations

The company is segmented into six industry groups as follows:

- Global Financial Services
- Healthcare Industry Group
- Energy Group
- Communications and Media
- Travel and Leisure Industry Group
- Manufacturing Industry Group

Global Financial Services (GFS)
Perot Systems' largest industry division, Global Financial Services (GFS) headed by John King, provides a range of services, including software development, systems integration, integrated consulting, and global infrastructure management through offices in London, New York, Chicago, Zurich, Hong Kong, Tokyo, and Singapore.

GFS's mission is to *deliver premier technology-enabled business improvement services to the financial services industry worldwide.*

Healthcare Industry Group
Perot Systems' Healthcare Industry Group, headed by Joseph E. Boyd, provides services to health care enterprises that are refocusing their business strategies. Services include:

- Business process reengineering
- Systems integration
- Product development and design
- Deployment of worldwide networks
- Facilities management and outsourcing services
- Integrated delivery network implementation
- Collaborative data repository and data warehouse development
- Managed care services

In February 1997, the Healthcare Indsutry Group introduced its Web-accessible Healthcare Solutions Model for integrated health care networks, which uses a suite of technologies to provide enterprise-wide access to critical health care data. This solution translates information from multiple platforms, delivering it in real time via a secure EDI transaction pipeline in an Internet-based environment.

Pricing models for solutions include business unit pricing on per-member, per-encounter, and per-transaction bases.

Energy Group
The Energy Group, headed by Ed Smith, provides services such as business consulting, technical transformation, management and

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operations, engineering, marketing, and customer services to clients in the electricity, gas, and water industries.

This group works with clients to restructure business processes to meet key business needs and to maximize information resources and personnel.

Perot Systems has established long-term relationships with several major companies in the industry, including a major U.K. regional electric company, one of the largest U.S. investor-owned power companies, and one of the largest U.S. power and water municipal utilities. The company has also been involved in the U.K.'s power industry as it moves to a commercially driven, competitive marketplace from the government-owned monopoly.

Communications and Media
The Communications and Media Group, headed by Susan Walsh, provides services to telecommunications companies worldwide and is expanding its reach to include companies in the broadcast, entertainment, and publishing industries. This group specializes in business strategy, billing, on-line, and customer care programs.

Services include solutions in:

- Internet/intranet
- Video services
- Digital media/compression
- Call centers
- Data mining and data warehousing

Travel and Leisure Industry Group
Perot Systems' Travel and Leisure Industry Group, headed by Bill Doody, provides services to clients in the following areas:

- Business planning
- Reservation systems
- Inventory and asset management
- Customer service
- Finance and billing
- Communications
- Quality assurance

This group specializes in helping clients better serve their customers, as well as use technology and customer data to improve their own business.

Manufacturing Industry Group
The Manufacturing Industry Group, headed by Bob Matanna, provides solutions for supply chain management, planning and scheduling, order management, warehousing, distribution, production, and finance, with an increasing emphasis on services for logistics systems. Services provided include data conversion, quality assurance, project management, and process reengineering.

The group specializes in the following services:

- Consulting
- Implementation
- Customization
- Project management support
- Data migration
- Legacy systems integration
- Client training

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Perot Systems' services are offered through essentially four types of contracts—systems integration; data center operation and management; facilities management; and risk/reward partnerships and alliances.

Contract examples include the following:

- WinStar Communications, Inc. awarded Perot Systems a multiyear, multimillion-dollar contract under which the companies will jointly develop a customized "customer satisfaction" system for personalized billing and related services for WinStar's clients.
- Under a risk/reward contract for British Telecom in the U.K., Perot Systems assisted in the development of a customer relationship management system that allows the sales and marketing personnel to access and analyze customer information.
- For AT&T, Perot Systems assumed overall management responsibility for the quality and timeliness of AT&T's development of a PC-based application called Billing Edge.
- Under a 10-year outsourcing contract with Cadillac Plastic Group (CPG), Perot Systems provides operational control and management of all data processing, telecommunication, and system applications, as well as management consulting services for CPG's business operations. Perot Systems is also implementing communications technology, including automatic number identification, interactive voice response, call routing and queuing, and new graphical user interfaces for customized order entry and inventory lookup procedures for CPG's call center.
- For Thrifty Car Rental, Perot Systems developed a reservations interface for Thrifty's new on-line reservation system.
- Under a multi year business transformation contract for the Los Angeles Department of Water and Power (LADWP), Perot Systems is working with the LADWP to update the operations and organizational structure, create a customer- and business-focused organization, enhance existing products and services, and identify and offer new products and services.
- Perot Systems has entered into an outsourcing contract with the Tenet Healthcare Corporation, in which it assumes responsibility for network and data center operation, applications maintenance and enhancement, equipment maintenance, and consulting.
- For Swiss Bank Corporation, a global banking and financial services firm, Perot Systems manages and supports more than 415 offices throughout Europe, North and South America, and Asia, resulting in a 30% increase in customer satisfaction ratings.
- For NationsBank, one of the largest banks in the U.S., the company consolidate the IT departments of three regional banking chains, and constructed a consolidated data center in 160 days, resulting in a substantial increase in productivity.
- For Barclays Intermortgage, one of Britain's largest mortgage lenders, Perot Systems redesigned and automated core business functions, implemented a high-quality customer-focused letter production system, and launched an integrated image-enabled workflow system, all with substantial improvements in productivity.

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The company provides its products and services through technical competency centers comprised of small groups of software professionals with expertise in the following areas:

- Business process automation
- Customer relationship management
- Data warehousing/data mining
- Internet/intranet
- Networking
- Total system management
- Object technology

Internet/Intranet Competency Center
The Cambridge (MA)-based competency Center, with a satellite office in London, specializes in end-to-end Internet services, including Web server design and deployment, inter-enterprise communications, electronic communication standards, and security.

Some completed projects include:

- For a major client in the healthcare industry, Perot Systems established all intranet standards and is managing the deployment of Web servers, including all hardware, operating systems, and application standards.
- For a financial services client, the company designed and deployed one of the largest global installations of the Lotus Notes Domino Server application in the world.
- For itself, Perot Systems defined, implemented, and deployed a self-service employee information system global intranet application.

Marketing and Sales

Perot Systems markets its products and services through a direct sales force and through joint marketing agreements.

Clients

Perot Systems serves clients in the financial services, health care, energy, travel and leisure, telecommunications, insurance, and manufacturing industries.

Some of Perot Systems' major clients include:

- Swiss Bank Corporation
- NationsBank
- Europcar
- Tenet Healthcare
- Los Angeles Department of Water and Power
- East Midlands Electricity
- Kelsey-Hayes

Alliances

Recent alliances include the following:

In April 1997, Perot Systems and Western Pacific Airlines, Inc. announced a five-year, $46 million strategic services alliance under which Perot Systems will deliver an integrated suite of professional services, including business consulting, application development, and Internet services.

In April 1997, InterTech Information Management, Inc. and Perot Systems entered into an agreement to resell DocuPACT, InterTech's integrated information management software designed and created for Microsoft Windows NT.

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In March 1997, ValueRx, a subsidiary of Value Health, Inc., and Perot Systems entered into a five-year, multimillion-dollar open systems outsourcing agreement covering information systems for ValueRx's mediation and pharmacy benefit management services.

- Perot Systems will provide data center technical support, retail systems data processing, and computer room services to Value Rx.
- Perot Systems has also consolidated ValueRx's systems into four data centers.

In February 1997, Perot Systems and Dallas (TX)-based S2 Systems, Inc. formed a business alliance to create seamless integrated solutions for the health care industry.

- The Perot Systems Healthcare Solutions Model will provide the electronic commerce gateway of EDI services supporting transactions.
- The Healthcare Solutions Model uses S2 Systems' software to create a Web-accessible processing environment that includes transaction switching, translation security, and connectivity between VANs, the Internet, intranets, and Perot Systems clients' back-office administrative, clinical, and financial systems.

In February 1997, Physicians' Online, Inc. (POL) and Perot Systems entered into an agreement to jointly develop an electronic communications and information exchange solution for integrated health networks using Internet and intranet technology.

In October 1996, Sun Microsystems and Perot Systems announced plans to jointly establish two competency centers from which to provide Java-enabled intranet and Internet applications for distributed enterprise solutions.

In October 1996, Citibank selected Perot Systems as its technology provider for the Travel Agency Commission Settlement system, the lodging industry's largest provider of centralized commission programs. Perot Systems will take responsibility for customer implementations, operation and management of all data processing, and ongoing customer support.

In September 1996, Perot Systems and SportsTrac, Inc. announced a long-term technology partnership to provide SportsTrac.COM, the first comprehensive, Internet-based recruiting tool for college athletes. SportsTrac.COM is an on-line database providing coaches and recruiters with nationwide access to profiles of high school and junior college athletes.

In March 1996, Perot Systems and HCL Corporation, India's largest integrated information technology group, announced a 50/50 joint venture targeting the Asia/Pacific region for large-scale outsourcing and systems integration services, as well as business transformation solutions.

- This joint venture is intended to expand Perot Systems' global presence and utilize the company's strength in some of the world's fastest growing markets for IT services.
- The alliance will also increase Perot Systems' source of software factory services for its customers.

Competition

Major competitors include Electronic Data Systems (EDS), Computer Sciences Corporation (CSC), and Andersen Consulting.

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Assessment

Perot Systems feels that its major strengths include:

- A customer-driven approach to IT services that is flexible and creative
- Implementation expertise through aggressive education and training of associates, as well as partnering agreements
- Creative partnership and risk-sharing agreements
- Integrated service offerings

Challenges for the coming year include:

- Globalization
- Staying ahead of the technology curve
- Acquiring talent

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

July 1996

Perot Systems Corporation

Chairman & CEO: Mort Meyerson
President & COO: James A. Cannavino
12377 Merit Drive
Suite 1100
Dallas, TX 75251
Phone: (214) 383-5600
Fax: (214) 455-4157
Internet: http://www.ps.net



Status:	Private
Employees:	4,000 (6/96)
Revenue:	$350,000,000*
Fiscal Year End:	12/31/95

* *INPUT estimate*

Key Points

- Perot Systems Corporation provides information technology and business transformation services to various markets.
- In March 1996, Perot Systems announced a joint venture with HCL Corporation designed to provide the Asia Pacific region with large-scale outsourcing and systems integration services.
- In January 1996, Perot Systems and Swiss Bank Corporation (SBC) entered into a 25-year strategic outsourcing alliance whereby SBC will outsource the management of IT infrastructure to Perot Systems via the newly created Perot Systems Global Financial Services division.
- In October 1995, James A. Cannavino was named to the newly created position of president and chief operating officer. Mr. Cannavino's most recent position prior to joining Perot Systems was as senior vice-president for strategic planning and business development of IBM Corporation.

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Company Description

Perot Systems was formed in 1988 by H. Ross Perot and certain former EDS employees to provide systems integration, systems operations, and associated professional services.

The company has major customers in the banking, insurance, health care, travel and leisure, manufacturing, telecommunications, and energy industries in North America, Europe, and Asia.

Organization and Structure

Perot Systems is headquartered in Dallas (TX) and has approximately 44 offices in the U.S., Europe, and Asia.

U.S. offices are located in Encinitas, Los Angeles, and Rosemead (CA); Colorado Springs and Englewood (CO); Stamford (CT); Maitland (FL); Atlanta and Roswell (GA); Chicago and Lisle (IL); Cedar Rapids (IA); Auburn Hills, Livonia, Romulus, and Troy (MI); Minneapolis (MN); Bethpage and New York (NY); Charlotte (NC); Tulsa (OK); Mechanicsburg (PA); Dallas, Houston, Plano, and Richardson (TX); and Reston (VA).

European offices are located in Paris (France), Düsseldorf and Hamburg (Germany), and London (U.K.). Asian offices are located in Hong Kong, Singapore, and Tokyo (Japan).

The company delivers services primarily through its U.S. offices in Dallas (TX), Reston (VA), Auburn Hills (MI), and an office in Windsor (England).

Perot Systems' current organizational structure is summarized in the exhibit on the following page.

Company Strategy

Perot Systems is dedicated to being the best at service design and delivery through aggressive education and training of its associates, and strategic partnering and acquisitions.

Perot Systems' approach to IT services is customer driven, focusing on providing flexible and creative solutions to help clients improve their business performance. The company provides clients with the option to select specific services, to partner with Perot Systems, or to commission project work.

Perot Systems also offers a variety of payment options, including everything from fixed fee to joint venture partnerships, and in some cases equity relationships. Perot Systems also practices the concept of risk/reward, in which the terms and conditions of payment are dependent upon the success of the engagement.

Perot Systems has formalized the customer-driven concept into four general categories that help the company group and package its resources:

- Customer Relationship Management
 - Customer Acquisition—Services designed to grow a customer's business
 - Customer Care—Products and services designed to help customers retain their own customers
- Operational Efficiencies—Technologies and services that help customers operate more productively and keep costs down
- Business Solutions Design and Development—Solutions that help customers quickly design and develop their own business solutions, using modern technology for things such as sales force automation and self-service Intranet applications

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Exhibit
Perot Systems Corporation
Organizational Structure

Financials

INPUT estimates that Perot Systems' 1995 revenue was approximately $350 million, a 17% increase over estimated revenue of $300 million in 1994.

A three-year revenue summary follows:

Perot Systems Corporation
Three-Year Revenue Summary
($ Millions)

	Fiscal Year		
Item	1995	1994	1993
Revenue *	$350	$300	$220
• Percent change from previous year	17%	36%	47%

* *INPUT estimate*

Revenue Analysis by Product/Service

INPUT estimates that approximately 50% of Perot Systems' 1995 revenue was derived from systems operations, 30% from systems integration, and 20% from professional services.

Market Financials

Perot Systems derives significant revenue from customers in the banking and financial services, energy, telecommunications, transportation, retail, and travel and leisure industries.

Geographic Markets

Approximately 70% of Perot Systems' 1995 revenue was derived from the U.S. and 30% from Europe.

Acquisitions

In October 1994, Perot Systems acquired the Custom Development Division of Platinum Software Corporation of Irvine (CA). As part of the transaction, Platinum Software has transferred its custom client/server development personnel, as well as custom software development rights, to Perot Systems. The acquisition was accounted for as a purchase.

Employees

As of June 1996, Perot Systems had an estimated 4,000 associates.

Key Products and Services

Perot Systems provides information technology and business transformation services to customers in various markets.

Perot Systems' offerings include:

- Application performance tuning
- Business process reengineering
- Change management
- Evaluation processes
- Executive information/decision support systems
- Office automation
- Systems integration
- Software development and maintenance
- Technology consulting

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- Telecommunications engineering and operations
- Virtual prototyping
- Workflow and imaging systems
- ProBanX™, a financial system
- d.b. Express™

Perot Systems provides these services through essentially four types of contracts—systems integration; data center operation and management; facilities management; and risk/reward partnerships and alliances.

Contract examples include the following:

- In April 1996, Perot Systems was awarded a contract for the redesign and implementation of the enterprise-wide business systems of Dallas (TX)-based PMI Mortgage Insurance Company. Perot Systems will use object-oriented technology to implement a three-tiered client/server system in all of PMI's U.S. locations, as well as mobile underwriting capabilities for its personnel in the field.

- In April 1996, Perot Systems was awarded a five-year contract by Avis Rent A Car System, Inc., whereby Perot Systems will provide and maintain a state-of-the-art imaging and workflow system for customer document processing in Avis' Garden City (NY) World Headquarters and its Virginia Beach (VA) Processing Center.

- In March 1996, Perot Systems announced an outsourcing and systems development agreement with Rouge Steel company, a producer of flat-rolled sheet steel serving the automotive, converter, and service center markets.

- In November 1995, Perot Systems announced an agreement with Farm Credit Financial Partners, Inc. (FPI) to install Perot Systems' client/server-based ProBanX banking system as the core processing system of FPI's integrated office management package.

- In August 1995, Perot Systems announced a ten-year, $130 million outsourcing agreement with Communications Central Inc. (CCI), which owns and operates a network of more than 26,000 pay phones and inmate phones. Under the agreement, Perot will manage CCI's field services and information systems functions.

- In August 1995, Perot Systems signed an information technology and consulting services contract with DeMotte State Bank for the installation of Perot Systems' ProBanX financial system. Perot Systems will also implement new hardware, software, an electronic mail system and local- and wide-area networks.

- In July 1995, Perot Systems was awarded a seven-year contract from Tenet Healthcare Corp. to provide consulting and technology services. Perot Systems is responsible for all data processing operations, communications, and systems technology for Tenet and its hospitals.

- In June 1995, Perot Systems announced a $20 million deal with M&G, a U.K. investment company, to manage a transfer of M&G's applications from a high-end IBM ES/9000 mainframe to a client/server-based system.

Clients

Perot Systems serves clients in the financial services, health care, energy, travel and leisure, telecommunications, insurance, and manufacturing industries.

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Some of Perot Systems' major clients include:

- Swiss Bank Corporation
- NationsBank
- Europcar
- Tenet Healthcare
- Los Angeles Department of Water & Power
- East Midlands Electricity
- Kelsey-Hayes

Marketing and Sales

Perot Systems markets its products and services through a direct sales force and through joint marketing agreements.

Alliances

Recent alliances include the following:

In March 1996, Perot Systems and HCL Corporation, India's largest integrated information technology group, announced a 50/50 joint venture targeting the Asia/Pacific region for large-scale outsourcing and systems integration services, as well as business transformation solutions.

- This joint venture is intended to expand Perot Systems' global presence and utilize the company's strength in some of the world's fastest growing markets for IT services.

- The alliance will also increase Perot Systems' source of software factory services for its customers.

In January 1996, Perot Systems and Swiss Bank Corporation (SBC) of Basel (Switzerland) formed a twenty-five year strategic outsourcing alliance valued at approximately $6.25 billion.

- There are four components of the alliance:

 - Perot Systems will assume management of the IT infrastructure in SBC's Warburg Division, excluding hardware and proprietary software applications development, via the newly created Perot Systems Global Financial Services division.

 - Perot Systems will assume project management of an existing initiative to upgrade and standardize SBC's IT infrastructure on common systems and platforms. However, SBC will retain sole control over all IT security-related functions.

 - Perot Systems will assume 40 percent of Systor AG, an SBC banking-systems unit that develops and sells software and client/server systems for the Swiss banking industry. SBC will retain management responsibility for Systor.

 - SBC has an option to purchase 10.5 million shares of Perot Systems stock over a period of time.

- The Perot Systems Global Financial Services division will be dedicated to providing systems and network services to financial services companies worldwide.

- As of January 1996, approximately 550 of the anticipated 700 client/server experts from SBC had agreed to join the new Perot Systems division.

- This alliance is expected to double Perot Systems' revenue and is designed to expand the company's business globally via the creation of the Perot Systems Global

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Financial Services division. It is also expected to increase SBC's ability to leverage information technology in its core banking businesses.

In December 1995, Perot Systems and Computer Concepts Corp., a developer and marketer of software development tools, announced an agreement whereby Perot Systems will market and distribute Computer Concepts' patented interactive data visualization tool, d.b. Express, on a worldwide basis.

- The d.b. Express line of information delivery software allows instantaneous data delivery, without the need of programming, to end users of database applications.
- This technology is expected to provide Perot Systems with a competitive advantage in the telecommunications, information systems, data mining, and data warehousing fields.

In December 1995, Perot Systems and Sunnyvale (CA)-based NeTpower, a provider of high-performance MIPS RISC-based solutions for the Windows NT market, announced an agreement to collaborate in delivering systems integration services to both companies' Fortune 1000 clients with expanding distributed systems. This alliance is intended to increase Perot Systems' expertise in the distributed systems arena.

In September 1995, Perot Systems and BRIT Systems, a provider of customized computer systems for medical imaging, collaborated on a six-month demonstration of a medical imaging software application over Asynchronous Transfer Mode (ATM) service from AT&T's location within the Dallas Infomart.

- The medical application software was developed by BRIT Systems.
- The demonstration transmitted video using Insoft's Communique! desktop videoconferencing systems and medical images over AT&T's InterSpan® ATM data service.
- MFS Telecom, Inc. provided the self-healing fiber-optic access connection. IBM and Cisco Systems also provided equipment.
- Perot Systems functioned as a general contractor to coordinate the participants in the six-month demonstration.

Competition

Major competitors include Electronic Data Systems (EDS), Computer Sciences Corporation (CSC), and Andersen Consulting.

INPUT Assessment

Perot Systems feels that its major strengths include:

- A customer-driven approach to IT services that is flexible and creative
- Implementation expertise through aggressive education and training of associates, as well as partnering agreements
- Continual development of skills in emerging technologies
- Creative payment structures

Challenges for the coming year include:

- Globalization
- Staying ahead of the technology curve
- Acquiring talent

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

August 1995

Perot Systems Corporation

Chairman & CEO: **Mort Meyerson**
12377 Merit Drive
Suite 1100
Dallas, TX 75251
Phone: **(214) 383-5600**
Fax: **(214) 383-5895**

Status:	Private
Employees:	2,400 (7/95)
Revenue:	$300,000,000*
Fiscal Year End:	12/31/94

** INPUT estimate*

Key Points

- Perot Systems Corporation provides information technology and business transformation services to various markets.
- In October 1994, Perot Systems acquired the Custom Development Division of Platinum Software Corporation in an effort to expand its service offerings in the areas of financial services and client/server services.
- In February 1995, the company signed a multi million dollar contract with MCI to provide Perot Systems with value-added telecommunications services.
- In January 1995, Perot Systems' Troy (MI)-based outsourcing division was awarded the ISO 9001 quality standard certification in the area of computer facilities management.

Company Description

Perot Systems was formed in 1988 by H. Ross Perot and certain former EDS employees to provide systems integration, systems operations and associated professional services.

The company has major customers in the banking, insurance, health care, travel and leisure, manufacturing, communications and energy industries in the U.S. and Europe.

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Organization and Structure

Perot Systems is headquartered in Dallas (TX) and has approximately 30 offices in the U.S., Europe and Japan. The company delivers services primarily through its U.S. offices in Dallas (TX), Reston (VA), Auburn Hills (MI) and an office in Windsor (England).

Perot Systems' current organization structure is summarized in the exhibit on the following page.

Company Strategy

Perot Systems will continue to exploit its strength in information technology services and will develop an in-depth knowledge of selected industries. The company will offer customers the ability to integrate technology, processes and people in support of a company strategy.

Perot Systems focuses on worldwide markets with mature economies. The company will enhance its capabilities to provide an integrated offering through increasing its own internal resources, and through alliances and acquisitions appropriate to the industries and markets.

Financials

INPUT estimates that Perot Systems' 1994 revenue was approximately $300 million, a 36% increase over estimated revenue of $220 million in 1993.

A three-year revenue summary follows:

Perot Systems Corporation
Three-Year Revenue Summary
($ Millions)

	Fiscal Year		
Item	1994	1993	1992
Revenue *	$300	$220	$150
• Percent change from previous year	36%	47%	N/A

* *INPUT estimate*

Revenue Analysis by Product/Service

INPUT estimates that approximately 50% of Perot Systems' 1994 revenue was derived from systems operations, 30% from systems integration and 20% from professional services.

Market Financials

Perot Systems derives significant revenue from customers in banking and financial services; energy; telecommunications; transportation; retail; and travel and leisure industries.

Geographic Markets

Approximately 70% of Perot Systems' 1994 revenue was derived from the U.S. and the remaining 30% from Europe.

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Exhibit
Perot Systems Corporation
Organizational Structure



Acquisitions

In October 1994, Perot Systems acquired the Custom Development Division of Platinum Software Corporation of Irvine (CA). As part of the transaction, Platinum Software has transferred its custom client/server development personnel, as well as custom software development rights to Perot Systems. The acquisition was accounted for as a purchase.

Employees

As of December 1994, Perot Systems had an estimated 2,000 employees. The company currently has approximately 2,400 employees.

Key Products and Services

Perot Systems provides information technology and business transformation services to customers in various markets.

Perot Systems' offerings include:

- Application performance tuning
- Business process reengineering
- Change management
- Evaluation processes
- Executive information/decision support systems
- Office automation
- Systems integration
- Software development and maintenance
- Technology consulting
- Telecommunications engineering and operations
- Virtual prototyping
- Workflow and imaging
- Pro-BanX, a financial system

Perot Systems provides these services through essentially three types of contracts—systems integration; data center operation and management; and facilities management.

Contracts examples include the following:

- In August 1995, Perot Systems signed an information technology and consulting services contract with DeMotte State Bank. DeMotte State Bank will use Perot Systems' Pro-BanX financial system. Perot Systems will also implement new hardware, software, an electronic mail system and local area and wide area networks.

- In July 1995, Perot Systems was awarded a seven-year contract from Tenet Healthcare Corp. to provide consulting and technology services. Perot Systems is responsible for all data processing operations, communications and systems technology for Tenet and its hospitals.

- In July 1995, Perot Systems signed a 10-year, $130 million contract with Communications Central Inc. (CCI) to provide consulting and technology services to CCI's Public Payphone division.

- In June 1995, Perot Systems announced a $20 million deal with M&G, a U.K. investment company, to manage a transfer of M&G's applications from a high-end IBM ES/9000 mainframe to a client/server-based system.

- In April 1995, Perot Systems announced a new agreement to provide specific technical consulting and operational support to NationsBank Corporation. NationsBank will assume responsibility for two data centers located in Richardson (TX) and Charlotte (NC).

- In March 1995, Perot Systems won a $13.6 million re-engineering agreement with the Los Angeles Department of Water and Power.

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- In November 1994, Perot Systems (Europe) signed an agreement with Intermortgage, the home mortgage operation of the U.K.'s Barclays Bank, to develop and implement an electronic workflow system. The system will speed mortgage application processing and cut paperwork and costs for the bank.

- In September 1994, Perot Systems announced an agreement with the Federal Home Loan Bank of Chicago to install Perot Systems' client/server-based Pro-BanX financial system.

- In August 1994, Perot Systems was selected as a partner by Rocky Mountain Life Insurance Company (RML) to develop business process re-engineering strategies and provide computer expertise.

- In July 1994, Perot Systems was awarded contracts with the First National Bank of Tucumcari and North Side Bank and Trust of Cinncinnati to install the Pro-BanX system as their customer information, loan and deposit banking system.

- In March 1994, Perot Systems signed a business alliance agreement with Charter Medical Corp. to enhance Charter's information services capabilities.

- In May 1992, Perot Systems was awarded a 10-year systems integration contract with Paris-based Europcar International, Europe's largest car rental company. Perot Systems is moving Europcar from its IBM-based batch processing operations to a real-time, UNIX-based distributed system supporting over 1,000 Europcar sites. According to the contract, Perot Systems will run Europcar's information systems after installation.

- Perot Systems won a 12-year systems outsourcing contract with U.K.-based East Midlands Electricity in 1992, to manage its Amdahl-based data center.

- In April 1991, Perot Systems was awarded a 10-year, $100 million contract from Robert Plan, an insurance company, to analyze its strategies and business practices. The process involved the evaluation and selection of vendors, a complex implementation plan, as well as system conversion and testing. Perot Systems designed and is operating a proprietary, integrated information management system to integrate imaging technology with a relational database management system.

Alliances

Recent alliances include the following:

- In May 1995, Communications Central Inc. (CCI) announced its intent to form a long-term partnership with Perot Systems. The intent of the agreement is to implement technologies such as wireless communication devices, a geographic information system and a decision support system for CCI's sales and field operations.

- In March 1995, Perot Systems entered into an agreement with Racotek, Inc., a wireless mobile data communication services company, to resell Racotek's wireless data communication products and services. The target markets for these products and services are health care, travel/leisure, communications, insurance, manufacturing, financial services and energy.

- In February 1995, Perot Systems signed a five-year, multi-million dollar contract with MCI for communications services. MCI is providing Perot Systems with value-added telecommunications services such as inbound and outbound voice, data, enhanced voice services, international and conference calling.

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- In November 1994, Perot Systems entered into a Channel Partners agreement with McCaw Cellular, making Perot Systems a value-added reseller for McCaw's CDPD wireless network.

Competition

Major competitors include Electronic Data Systems (EDS), Computer Sciences Corporation (CSC) and Andersen Consulting.

INPUT Assessment

Perot Systems' major strengths include:

- Advanced, constantly evolving technology
- Ability to help clients adjust to changing markets
- Implementation expertise

Challenges for the coming year include:

- Globalization
- Staying ahead of the technology curve
- Acquiring talent

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INPUT

PEROT SYSTEMS CORPORATION

13100 Worldgate Drive
Suite 500
Herndon, VA 22070
Phone: (703) 709-3000

Chairman & CEO:	Morton H. Meyerson
President & COO:	Patrick Horner
Status:	Private Corporation
Total Employees:	1,200 (12/91)
Total Revenue:	$160,000,000*
Fiscal Year End:	12/31/91

* INPUT estimate

Key Points

- During 1992, Perot Systems significantly expanded its business into European markets with the signing of two contracts totaling more than $1 billion.
- The company is concentrating on the commercial side of outsourcing rather than federal government projects.
- Perot Systems has been successful at leveraging systems integration projects into systems operations agreements.

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Company Description

Perot Systems was formed in 1988 by H. Ross Perot and certain former EDS employees to provide systems integration, systems operations, and associated professional services.

The company has major customers in the banking, insurance, health care, manufacturing, communications, and energy industries in the U.S., Europe, and Japan.

Financials

INPUT estimates Perot Systems 1991 revenue was $160 million. Perot management has stated that 1992 revenue should exceed $200 million.

Employees

As of December 1991, Perot Systems had an estimated 1,200 employees. The company currently has over 1,400 employees.

Competitors

Major competitors include Electronic Data Systems, Computer Sciences Corporation, and Andersen Consulting.

Key Products and Services

INPUT estimates Perot Systems' 1991 U.S. information services revenue at $150 million, of which approximately 47% was derived from systems operations, 30% from systems integration, and 23% from professional services.

Perot Systems services include architecture consulting and analysis; systems design, development and implementation; hardware analysis, selection, procurement, and installation; software and communications integration; logistics and training support; technology migration; computer and communications network operation and management; and information architecture and engineering.

Contract examples include the following:

- In May 1992, Perot Systems announced the signing of two European contracts totaling $1 billion.
 - The company was awarded a 10-year systems integration contract with Paris-based Europcar International, Europe's largest car rental company. Within two years, Perot Systems will move Europcar from its IBM-based batch processing operations to a real-time, UNIX-based distributed system supporting over 1,000 Europcar sites. After installation, Perot Systems will run Europcar's information systems.

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- The company was also awarded a 12-year systems operations contract with U.K.-based East Midlands Electricity to manage its Amdahl-based data center.

- In November 1991, it was announced that NCNB Corp., the nation's largest superregional bank, contracted with Perot Systems to manage NCNB's mainframe processing operations.

 - Perot Systems hired about 200 NCNB information system employees and acquired NCNB's mainframe centers in Richardson (TX) and Charlotte (NC).

 - Perot Systems constructed the NCNB Richardson data center and consolidated four other NCNB data centers there under a systems integration contract awarded to Perot Systems during 1990.

 - NCNB retains responsibility for all applications development, midrange processing, and end-user computing.

- In April 1991, Perot Systems announced a 10-year, $100 million contract with insurance firm Robert Plan Corporation to design and operate a proprietary, integrated information management system that will integrate imaging technology with a relational data-base management system.

- In April 1991, Perot Systems announced a $10-year, $400 million contract with First American Bankshares Inc. of Washington, D.C. to take over all of the bank's data processing, telecommunications, and other technical services.

- In March 1991, Perot Systems announced a five-year, $100 million facilities management contract with American Medical International Inc. of California. Perot Systems has taken over the data processing operations and systems technology of American Medical and its hospital subsidiaries.

- In March 1991, Perot Systems announced a $10 million manufacturing automation project with Springs Industries Inc. of Fort Mill (SC).

- In December 1990, Perot Systems and insurance firm ICH Corp. announced they had renegotiated their facilities management contract following the break-up of their data processing joint venture, Perich Systems Inc. Although Perot is providing ICH with less processing work, Perot has picked up data processing contracts from insurance companies that ICH has divested and continues to manage the implementation of an insurance system developed by Cybertek for ICH.

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Industry Markets

Perot Systems derives significant revenue from customers in the banking, insurance, medical, and manufacturing industries.

Geographic Markets

Perot Systems is headquartered in Herndon (VA) and has approximately 30 offices in the U.S., Europe, and Japan.

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COMPANY PROFILE

PERSOFT, INC.
600 West Cummings Park
Woburn, MA 01801
(617) 935-0095

Richard Mueller, President
Private Company
Total Employees: 50
Total Revenue, Fiscal Year End:
12/31/86: $3 Million*

THE COMPANY

- Persoft, Inc., founded in 1982, develops and markets expert systems for direct marketing applications.

KEY PRODUCTS AND SERVICES

- One hundred percent of Persoft's revenue is derived from sales of application software products.
- MORE, Persoft's initial product, was introduced in July 1985. MORE/2, a second generation expert software system was introduced in June 1986.
 - Both systems are expert systems for direct marketing applications. The software was designed to operate in service bureaus that provide list processing and file maintenance services to direct marketers.
 - MORE and MORE/2 allow users to perform analytical and list segmentation capabilities on rented, compiled, and in-house mailing lists.
 - The software operates on IBM and compatible mainframes.

INDUSTRY MARKETS

- Persoft sells its software across all industry sectors.
- Customers include national direct marketing firms such as Brookstone Company, Peterborough (NH); American Express Company, New York; Spencer Gifts, Atlantic City; and at service bureaus including CCX, Conway (AK); R. R. Donnelley and Sons, Chicago; May & Speh, Chicago; and SmartNames, Waltham (MA).

GEOGRAPHIC MARKETS

- One hundred percent of Persoft's revenue is derived from the U.S.

*INPUT estimate

March 1987

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COMPANY BRIEF

Primary Industry-Specific Market: Discrete Manufacturing

Personal CAD Systems, Inc.
1290 Parkmoor Avenue
San Jose, CA 95126
(408) 971-1300

CEO: Doug Stone, President
Private Company
Founded: 1983

Employees: 126 (11/86)
Revenue (FYE 12/31/86): $15,000,000*

The Company: Personal CAD Systems (P-CAD) provides engineering design application software products for IBM and compatible microcomputers

Sources of Revenue:
- Application Software (100%)

Key Products and Services:
- Application Software (Utilizes IBM PCs and compatible microcomputers)
 - PC-CAPS, the cornerstone of all P-CAD's design and interface tools, gives users the front-end design capture capabilities needed to design electronic products
 - PC-CUPL allows users to design PLDs using PC-CAPS schematic capture and the symbol library of about 100 primitives to graphically represent device logic
 - P-CAD's INTERFACES allows users to transfer P-CAD front-end system data to in-house systems for other steps in the design process
 - P-CAD's LIBRARIES includes 2,000 components, substantially reducing the time usually required to design a library at the schematic capture level. The library includes an extensive list of manufacturer-supported, semi-custom integrated circuit and printed circuit board (PCB) parts
 - LOGS II, P-CAD's logic simulator, provides interactive, mixed mode, 12-state logic simulation for semi-custom designs.
 - PC-CARDS, P-CAD's interactive PCB layout editor, is complemented by PC-PLACE and PC-ROUTE
 - PC-PLACE automatically places PCB parts and provides additional utilities such as force vectors, histogram displays, and ratsnest lines to analyze and optimize placement
 - PC-ROUTE runs in conjunction with PC-PLACE to automatically interconnect the design once it has been placed

*Company estimate

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- PC-DRC/NLC automatically performs design rule and netlist checking to detect physical design violations and verify electrical continuity
- PDIF acts as a bidirectional interface, translating schematic or PCB data into ASCII format for transfer to CAE/CAD/CAM systems, or can be used to develop customized applications
- PC-PRINT, PC-PLOTS, and PC-PHOTO programs all facilitate output to a number of dot matrix printers, pen plotters, and photoplotters
- PC-DRILL is P-CAD's link to the manufacturing floor. PC-DRILL outputs data in a format that can be read and utilized for programming numerical control drilling machines in manufacturing

Target Industries:
- Computer manufacturing
- Military
- Telecommunications

Geographic Markets:
- U.S. (70%)
- Non-U.S. (30%)
- U.S. direct sales from headquarters in San Jose (CA) and sales offices in Sherman Oaks (CA), Seattle (WA), Eden Prairie (MN), Woburn (MA), and Hamden (CT).
- Non-U.S. revenue is derived from direct sales and sales through distributors

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COMPANY HIGHLIGHT

PERSONNEL DATA SYSTEMS, INC.
Whitemarsh Plaza
15 East Ridge Pike
Conshohocken, PA 19428
(215) 828-4294

Steve Brody, President
Private Corporation
Total Employees: 48
Total Revenue, Fiscal Year End
3/31/82: $4,500,000

THE COMPANY

- Personnel Data Systems, Inc. (PDS) provides software products for personnel and payroll applications. The company was founded in Pennsylvania in 1970 to provide consulting services and contract programming. It began offering standard software packages in 1973.

- Fiscal year 1982 revenues were $4.5 million, a 29% increase over 1981 revenues of $3.5 million. PDS management states that the company has been profitable since its founding and has had an average annual growth rate of 20% since 1970.

- The 48 PDS employees are divided by function as follows:

Marketing and sales	5
Software services/customer support	36
Computer operations	2
General and administrative	5
	48

- Primary competition for PDS's products comes from Management Science America (MSA).

KEY PRODUCTS AND SERVICES

- Approximately 90% of PDS's total revenue stems from the sale of its software products and 10% comes from interactive processing services.

- There are approximately 50 installations of the Personnel Accounting and Skills System (PASS).

 - PASS is written in ANS COBOL for IBM 360/370 (OS, DOS, VS), 4300, and 30XX equipment, Hewlett-Packard HP 3000s, Honeywell, Burroughs, NCR, Univac 9000 and 1100 series machines, PRIME, Control Data Corporation, and DEC VAX equipment.

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- PASS, with nine modules, sells for $49,000. Modules include:

 . Employee Record Maintenance.
 . Employee Profile.
 . Automatic Career History.
 . EEOC Reporting.
 . Benefits Module (including Employee Benefits Statements).
 . Skills Inventory/Search.
 . Absentee Reporting.
 . Staffing Control (Position Budgeting).
 . Report Writer (English Language Retrieval Module).

- PDS introduced its payroll accounting module, Accu-Pay, in 1976, which sells for $26,000. An integrated PASS-Accu-Pay system was added in 1976 and sells for $75,000. There are approximately 40 installations of Accu-Pay and 225 of the integrated versions. The Accu-Pay payroll system provides:

 . Payroll Transmittal.
 . Payroll Register.
 . Paycheck or Statement of Pay.
 . Federal, State, and Local Tax Listings.
 . Forms W-2 and 941 Reports.

- Interactive processing using PDS's proprietary software packages accounts for approximately 10% of total revenue. There are some 25 clients who use PDS's processing services.

INDUSTRY MARKETS PDS software products are sold to multiple industry segments including manufacturing, banks, hospitals, and universities.

GEOGRAPHIC MARKETS The majority of PDS revenue (90%) is generated in the U.S. The other 10% of revenue comes from business in Canada and Mexico.

COMPUTER HARDWARE AND SOFTWARE

- Personnel Data Systems uses the following equipment at its headquarters for both processing services and development:

 - 1 Hewlett-Packard HP 3000.
 - IBM 370/148 operating under DOS.

- The company provides interactive processing services via leased lines.

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COMPANY BRIEF

Primary Industry-Specific Market: Education

Pertaine Systems, Inc.
805 Veterans Boulevard
Suite 110
Redwood City, CA 94063
(415) 367-9827

CEO: Normand Fontaine, President
Private Company
Founded: 1980

Employees: 30 (11/86)
Revenue (FYE 2/28/86): $1.2 million

The Company: Develops and markets application software products to schools for financial information management and student recordkeeping

Sources of Revenue:
- Application Software (90%)
- Software Support (10%)

Key Products:
- Application Software Products (Utilizes HP 3000 minicomputers)
 - Accounting and finance software (SCHOOL/3000)
 - Student recordkeeping system (STUDENT/3000)
 - On-line, menu driven, documentation system (EXPLAIN/3000)

Target Industries:
- Education (99%) (primary, middle, and secondary schools)
- Cross industry (1%)

Geographic Markets:
- U.S. (98%)
- Non-U.S. (2%)
- Sales Offices: Redwood City (CA) and Princeton (NJ)
- Geographic concentration: California

Other:
- The company has installed 65 packages, serving more than 250 school districts

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PERWILL INCORPORATED
5053 La Mart Drive, Suite 101
Riverside, CA 92507
(714) 683-7920

Joan Nolan, General Manager
William T. Pugsley, President
The Perwill Group
Wholly Owned Subsidiary of
The Perwill Group
Total Employees: 11
Total Revenue, Fiscal Year End
3/31/91: $1,680,000*

*Company estimate

The Company

Perwill Incorporated was established in 1985 as the North American subsidiary of The Perwill Group to develop, market, and support EDI software.

Perwill's strategy rests upon providing its clients with systems that, in addition to local requirements, meet international operational requirements.

- The company's software provides for foreign currencies and languages. Perwill believes it is the only company in the world to offer EDI software that works on both U.S. and major European standards.

The Perwill Group (Alton, Hampshire, U.K.) was founded in 1973. During 1985, the company began offering EDI software and services to users of Hewlett-Packard HP3000 systems.

- The company has since expanded the availability of its software to IBM mainframe and PC, NCR, DEC VAX, and other UNIX-based environments. There are currently over 350 mainframe and midrange-based installations and 400 PC installations worldwide. Approximately 20% of these installations are in North America.

- The Perwill Group has approximately 110 employees worldwide. In addition to its U.S. subsidiary, The Perwill Group has subsidiaries in Hamburg (Germany), Singapore, and New South Wales (Australia).

- Perwill management estimates Perwill Group's fiscal 1991 worldwide revenue will reach $8 million, of which approximately $1.68 million will be derived from Perwill

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Incorporated. During fiscal 1990, Perwill Incorporated generated approximately $940,000 in revenue.

Key Products and Services

Approximately 75% of Perwill Incorporated's revenue is derived from software licenses and associated maintenance services. The remaining 25% is derived from consulting and customization services.

Perwill's current product line, Perwill*EDI, includes a selection of PC, minicomputer, and UNIX products available for a wide range of computer hardware platforms.

- Perwill offers a compatible upgrade path. For users who choose the PC route, Perwill offers a 100% credit trade-in credit facility.

- Perwill*EDI supports U.S. and international standards, which include ANSI X.12, UN/EDIFACT, TDCC (all variants, including UCS and WINS), TRADACOMS, ODETTE, and SPEC 2000 C&M.

Perwill*EDI software consists of four modules:

- EDIFORM - mapping and maintenance facility
- EDIPARSE - translation/formatter
- EDILINK - communications interface
- EDIMGR - audit and control management

Within the EDI process, Perwill*EDI software operates as follows:

- Data integration is facilitated by the EDIFORM data reformatting tool, thus allowing easy translation from application output files to EDI data that is ready for EDI translation and packing for transmission. EDI data can also be used to create files suitable for application integration. EDIFORM features also include data item cross-referencing, code look-ups, substitution and static data entry (which may be used for any file), and data remapping into the required layout for translation into the selected standard.

- Once the file has been formatted into the correct layout for the chosen trading standard (e.g., ANSI X.12), it may be translated and packed using EDIPARSE. EDIPARSE will translate to and from all currently supported data interchange standards.

- Once the file has been packed, it is ready for transmission to the network. EDILINK controls the transmission and/or

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receipt of data to/from trading partners or value-added network suppliers (VANs). EDILINK allows the definition of the rules for accessing VANs (and, where appropriate, business partners). The file can be executed either interactively or in batch mode to interrogate the "mailbox" and make decisions about the status of the information it finds. EDILINK presents a uniform user interface, regardless of the syntax differences of the VAN commands.

- EDIMGR provides a control and audit facility that monitors all packages sent and produces lists (after preset times) when acknowledgements are not forthcoming.

Perwill*EDI is priced from $1,500 to $27,000. Customers are provided with three months (90 days) of support. Thereafter, the annual maintenance charge is 15% of the list price.

Training services are also available to handle individual customer requirements.

There is currently an installed base of 75 mainframe/midrange systems and 160 PC-based systems within the U.S. and Canada.

Industry Markets

Perwill markets its EDI software products across all industries. A significant number of clients are in the electronic, retail, and manufacturing industries. The company also has clients in financial services, health care, transportation, and other areas of discrete manufacturing.

Geographic Markets

Approximately 95% of Perwill Incorporated's revenue is derived from the U.S. and 5% from Canada. Sales outside North America are handled by the parent company and its other subsidiary and distribution outlets.

Perwill Incorporated has distributors of its software throughout North America. Its parent company, The Perwill Group, has marketing alliances with companies throughout Europe, Asia, and the Pacific Rim for the distribution of software products and associated services.

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COMPANY HIGHLIGHT

PETROLEUM DATA CORPORATION
1101 State Road
Princeton, NJ 08540
(609) 924-7200

Philip Abrams, President
Private Corporation
Total Employees: 90
Total Revenue, Fiscal Year End 10/31/80: $7,500,000
Computer Services Revenue: $6,000,000

PRINCIPAL BUSINESS Petroleum Data Corporation (Petrodata®), incorporated in 1968, provides processing services, turnkey systems and related hardware to wholesale and retail petroleum dealers.

FINANCIALS ($ thousands)

	10/80	10/79	10/78	10/77	10/76
- Total revenue	$ 7,500	$ 6,500	$ 6,200	$ 5,515	$ 4,238

SOURCES OF REVENUE

- 60% Interactive remote computing services.
- 20% Turnkey systems.
- 20% Hardware sales.

PRODUCTS AND SERVICES

- Petrodata's interactive processing service supplies over 400 applications programs to 210 firms delivering fuel to more than 9,000 retail accounts. These programs are offered as part of the following systems:

 . Degree Day/Delivery Scheduling, a dispatching system for petroleum distributors, provides computer-scheduled deliveries to minimize the number of delivery calls a dealer must make. The system establishes credit limits for each customer and automatically posts deliveries, sales, adjustments, and payments.

 . The Burner Service System, a billing, dispatching, and accounting system for home heating oil distributors, provides reports on service-persons' performance, problem service accounts, and repeat calls.

 . Accounts Receivable.

 . Fueloil Financial Accounting Systems provide general ledger, accounts payable, and fixed assets applications.

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- Petrodata began marketing turnkey systems to the petroleum distribution industry in 1979. Approximately 60 systems are currently installed. Using IBM Series/1 minicomputers, the systems range in price from $35,000 to $70,000. Program modules available on a turnkey basis include the following:

 - Accounts Payable.
 - Accounts Receivable (Advanced and Basic).
 - Advanced Wholesale Accounting.
 - Automated Gas.
 - Convenience Store Accounting.
 - Degree Day Accounting.
 - Fuel Inventory Control.
 - General Ledger.
 - Invoicing and Group Pricing.
 - Payroll.
 - Retail Service Station Inventory.
 - Warehousing System (TBA Inventory).

- New applications available on a turnkey basis include:

 - Retail station sales analysis.
 - Liquid product and TBA inventory.
 - Wholesale inventory accounting.

- In 1979, Petrodata obtained exclusive marketing rights to the Terminal Automation System (TAS) developed by Amoco Computer Services Company. Amoco continues to maintain its approximately 65 TAS installations but no longer markets the system.

 - Petrodata markets TAS on a turnkey basis using an IBM Series/1 minicomputer. The company has five installations of the system, which sells for approximately $65,000.

 - TAS is a special purpose management system that completely automates the dispensing of liquid products at bulk petroleum terminals. Accounting data is captured at the terminal site for subsequent retrieval by a central computer.

- IBM performs hardware maintenance for Petrodata's turnkey systems.

- Petrodata's hardware revenue is derived from the sale of CRTs manufactured by Sycor, Harris, and Racal-Milgo; weather unit monitors; printers; modems; microfiche readers; and other hardware products related to its remote computing processing services.

INDUSTRY MARKETS

- One hundred percent of Petrodata's revenue is derived from the petroleum distribution industry.

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- Users include wholesale distributors of petroleum products and home heating oil as well as retail gasoline station owners.

GEOGRAPHIC MARKETS

- Petrodata derives 100% of its revenue in the U.S., estimated as follows:
 - 40% Middle Atlantic.
 - 35% New England.
 - 10% Pacific.
 - 5% East North Central.
 - 5% South Atlantic (mostly Virginia).
 - 5% East South Central.

COMPUTER HARDWARE AND SOFTWARE

- Petrodata maintains one Amdahl 470/V5 running under EDOS at its Princeton headquarters.
- Petrodata's network consists of over 12,000 miles of leased lines and extends from New England to South Carolina and Michigan.

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COMPANY HIGHLIGHT

PETROLEUM DATA SYSTEMS, INC.
1776 Lincoln Street, Suite 410
Denver, CO 80203
(303) 839-5487

Thomas F. Laird, President
Private corporation
Total employees: 45
Total revenues, fiscal year end 7/31/78: $1,200,000*

THE COMPANY

- Petroleum Data Systems, Inc. (PDSI) was founded in 1967 as a batch service bureau offering specialty processing to oil companies. It still offers inventory control systems for non-operated oil leases to its approximately 275 oil company clients.

- Management expects revenues to increase by approximately 17% from approximately $1.2 million in fiscal 1978 to approximately $1.4 million in fiscal 1979. Management states that the company is profitable.

- The company's major competition comes from Scientific Software and Oiltronics, both Denver-based companies.

KEY PRODUCTS AND SERVICES

- Approximately 90% of PDSI fiscal 1978 revenues are being generated by batch processing services. The remaining 10% of revenues are generated by the sale of its software product.

- The company's major system is basically a specialized general ledger system for managing non-operated oil and gas leases. It performs the following functions:

 - Annual rental fees
 - Billing of lease partners
 - Maintenance of lease records
 - Production accounting
 - Lease operating statements

- The software performs the same functions as the processing services. It is currently operating on Honeywell Series 60, Level 64, Model 64/40; IBM System/3 Model 150; and IBM System/370 Model 145 CPUs. According to management, it will run in any COBOL 74 environment. Currently available only for purchase, the software sells for $25,000.

* INPUT estimate

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APPLICATIONS AND INDUSTRY MARKETS One hundred percent of PDSI processing revenues are derived from specialty services to the process manufacturing industry. Software revenues are also derived from the oil and gas industry.

GEOGRAPHIC MARKETS Approximately 40% of PDSI client revenues are derived from Texas, 30% from the Mountain states, and 10% from Canada. The other 20% are widely distributed across the U.S.

COMPUTER HARDWARE AND SOFTWARE

- PDSI uses a Honeywell Series 60, Level 64, Model 64/40 CPU to provide its processing services.
- As all processing is in batch mode, the company has not installed any terminals at client locations and does not have a network.

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Salvatore Casamento VP

COMPANY HIGHLIGHT

PETROLEUM DATA CORP. INC.
1101 State Road
Princeton, NJ 08540
(609) 924-7200

Philip O. Deputy, President and Chairman
Private
Total employees: 105
Total revenues, fiscal year end 10/31/77: $5,516,831
Computer services revenues $3,685,000

THE COMPANY

- Petroleum Data Corporation (Petrodata ®) was incorporated in New Jersey in August 1968. The firm's principal business is providing on-line accounting applications to retail petroleum dealers. Users include home heating oil and retail home gasoline distributors.

- Computer services generate approximately 67% of Petrodata revenues; sales of related hardware and products on an OEM basis generate the other 33%.
 - These hardware products include CRTs manufactured by such companies as Sycor, Harris, and Racal-Milgo; weather unit monitors; printers; and microfiche readers and printers.
 - Occasionally, sales of forms and other supplies also contribute to non-computer services revenues.

- Petrodata's financial history is shown in the table below. All fiscal 1978 figures are projections by Petrodata management.

Petrodata's Four Year Financial Summary

Item \ Fiscal Year	1978	1977	1976	1975
Gross revenues	E6,600,000	$5,515,831	$4,238,474	$3,399,358
Before tax income	E 750,000	758,000		
Net profit	E 250,000	400,857	392,262	205,621
Earnings per share		1.04	1.01	.50

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- Income after tax for 1978 will be about $250,000, a 38% decrease from fiscal 1977 levels, due to an investment tax credit.
- About 5% of fiscal 1977 revenues were spent on research and development.
- Petrodata has approximately 80 stockholders.

o The 105 employees are currently distributed by function approximately as follows:

Marketing/sales	10%
Customer support and software services	17
Computer operations (including systems programming)	60
Administrative and general (includes clerical, accounting, administration functions)	13
	100%

KEY PRODUCTS AND SERVICES

o Approximately 98% of Petrodata's fiscal 1977 revenues were generated by remote computing sales. The remaining 2% were generated by batch processing sales. All the remote computing sales were in interactive mode.

o In all, Petrodata offers over 400 applications programs to firms that deliver fuel to over 800,000 retail accounts. These programs are marketed as part of the following processing services: Degree Day/Delivery Scheduling, Burner Service, Accounts Receivable, and Fueloil Financial Accounting System.

o Degree Day/Delivery Scheduling System is a dispatching system that minimizes the number of delivery calls a dealer must make. Management claims that by using this service in conjunction with Petrodata's Weather Monitor, a dealer can deliver the same annual gallonage with up to 35% fewer trips. The Weather Monitor helps a dealer predict within hours when a customer's fuel supply is dwindling.

o Burner Service System is a dispatching, billing, and accounting system. It includes reports on:

- Service persons' performance, including types of calls, call backs, cost per call, and cost per person
- Highlights of questionable or problem service accounts
- Monthly repeat call report
- Time-metered burner service ticket
- Monthly and annual summary reports

o Accounts Receivable

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- o Fueloil Financial Accounting Systems provide the following on-line services to a user's financial management:
 - General ledger, which measures and reports on performance and profit at all levels of responsibility, by product line, by department, by division, or by company.
 - Accounts payable, which improves control of payables and helps to time payments so that discounts are taken in a timely manner. Also provided are cash requirement forecasts, check processing and reconciliation, and prevention of payment on duplicate invoices.
 - Fixed Assets maintains separate corporate and tax records by company with separate depreciation methods, prorating periods, life, cost, and salvage values as applied to depreciation ledgers. In addition, investment tax credits and gains or losses on the sale or retirement of fixed assets are computed.
- o Processing services are comprised of accounting applications tailored to the petroleum retail industry. These services are accessed by clients through Petrodata's proprietary CRT, the Datascope,® connected to Petrodata's central computers.

APPLICATIONS Petrodata provides industry specialized applications, most of which are accounting oriented, to petroleum retailers.

INDUSTRY MARKETS

- o Petrodata provides services to petroleum retail dealers, part of the retail distribution industry. About 98% of these are home heating oil distributors and 2% of the business is derived from liquid propane gas distributors.
- o Users include Chevron, Gulf, Exxon, Sunoco, Arco, Amoco, Meenan Oil, Westchester Hudson Fuel, Oehlert Brothers, Inc., Keystone Fuel Oil and Enrights' The Oil Lady.
- o Future plans include increasing the customer base of both liquid propane gas and gasoline retailers, and marketing more services to petroleum wholesalers.

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GEOGRAPHIC MARKETS

- About 94% of Petrodata's revenues for fiscal 1977 were derived from the U.S. and 6% from Canada. Revenues are distributed by region as follows:

Middle Atlantic (mostly New Jersey, New York, and Pennsylvania)	42%
New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont	32
South Atlantic (mostly Virginia)	18
East North Central (mostly Michigan)	2
Canada	6
	100%

- Branch offices are located in Norfolk, VA and Southborough, MA.

COMPUTER HARDWARE AND SOFTWARE

- Effective August 1, 1978, Petrodata will provide processing services on an Amdahl 470/V5, running under MVS. The Amdahl is replacing two IBM 360/65 computers.

- Petrodata's network consists of over 12,000 miles of leased lines and extends from New England to South Carolina and Michigan.

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INPUT

COMPANY
PROFILE

PHYSICIANS PRACTICE MANAGEMENT

350 East New York Street
Suite 300
Indianapolis, IN 46204-2134
Phone: (317) 634-8080
Fax: (800) 548-6171

President:	Bill Noel
Status:	Private Company
Total Employees:	45
Total Revenue:	$2,900,000 *
Fiscal Year End:	2/1/93

* Company estimate

Key Points

- Physicans Practice Management (PPM) focuses on products and services in support of electronic medical insurance claims.
- PPM is currently developing a new product line that is scheduled for availability in mid-1993.

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Company Description

PPM, formed in 1978, provides software products and network services used in electronic medical insurance claims submission. During 1988, the company began offering an additional service called the Management Advisory Service.

Key Products and Services

PPM offers the following software products for IBM PC, XT, AT, PS/2 and most compatibles:

- PC*CLAIM PLUS is a complete insurance filing system for physicians who want to automate only insurance claim processing without disrupting the entire routine of the practice.
 - PC*CLAIM PLUS transmits electronic claims via the CLAIM*NET network to participating insurance carriers including Medicaid, Medicare B, Blue Shield plans and commercial carriers. PC*CLAIM PLUS also prints claims on the standard AMA 1500 form.
 - PC*CLAIM PLUS provides a patient data base that retains information on patients, including demographic, insurance, and other information in support of speedy claims filing.
- PC*CLAIM LINK provides interface capability, giving a physician's current medical software system the ability to transmit electronic claims. PC*CLAIMS LINK contains all the features of PC*CLAIM PLUS and captures data from the host computer system to create electronic claims.
- THRESHOLD*TM is a basic billing, insurance filing, and accounts receivable system. The system is designed for the smaller practice that wishes to automate one step at a time. THRESHOLD*TM contains the following modules: Accounts Receivable, Patient Statements, Custom Insurance Forms, Basic Medical Office Reports, and Basic Medical Office Listings. Additional program packs available include: Manager Pack, Financial Pack, Listing Pack, and Appointment Pack.
- THRESHOLD is an office management system designed for the actively managed practice that contains over 120 programs addressing activities from payment plan management to statistics on referring physicians. THRESHOLD contains all the programs in THRESHOLD*TM plus all the programs in the optional packs.
- The Multi-User Option expands THRESHOLD*TM or THRESHOLD to a multiuser system. Workstations and network hardware and software allow more than one operator to access files,

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enter data, and run programs. Designed for the large practice with several employees or even several offices, this system can expand as needed.

- Valence is an electronic mail and messaging system that can be used either as a standalone system or added to a PC*CLAIM PLUS, THRESHOLD*TM, or THRESHOLD system. Valence can be used to communicate with other people in the same office, other physicians, hospitals, labs, PPM dealers, and PPM support staff.

CLAIM*NET is PPM's nationwide network that transmits claims for any insurance company or government claims carrier accepting claims electronically.

- PPM's software products edit, prepare, and transmit claims from the user's office computer system to CLAIM*NET.

- The CLAIM*NET processing center then formats the claims and transmits them to designated insurance companies, which process the claims and mail payments directly to the providers.

Physicians Practice Management also offers the Management Advisory Service, providing consulting in areas such as marketing techniques, office policies and procedures, collections, insurance reimbursement, accounts receivable management, office layout and design, and general office administration.

Industry Markets

The company provides its products and services to the medical industry, specifically to physicians working in small and large offices.

Geographic Markets

PPM has product installations at over 3,000 sites throughout the U.S.

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PHYSICIANS PRACTICE MANAGEMENT
350 East New York Street
Suite 300
Indianapolis, IN 46204-2134
(317) 634-8080

Bill Noel, President
Private Company
Total Employees: 32
Total Revenue, Fiscal Year End 1/31/88: $2,500,000 *

* INPUT estimate

The Company

Physicians Practice Management, formed in 1978, provides software products and network services used in electronic medical insurance claims submission. During 1988, the company began offering an additional service called the Management Advisory Service.

As of September 1988, the company had 32 employees.

Key Products and Services

Approximately 70% of fiscal 1988 revenue was derived from electronic data interchange (EDI) software products. The remaining 30% was derived from CLAIM*NET network services.

PC*CLAIM, developed for physicians who want to slowly introduce computer operations in their office, allows the physician to automate only the insurance claims processing part of the business.

PC*CLAIM PLUS contains all the features of PC*CLAIM and also retains details on patients including demographic, insurance, and other information. This patient data base feature speeds repeated claim filing on patients.

PC*CLAIM LINK provides interface capability, allowing a physician's current medical software system the ability to transmit electronic claims. PC*CLAIMS LINK contains all the features of PC*CLAIM PLUS and captures data from the host computer system to create electronic claims.

THRESHOLD*TM is a basic billing, insurance filing, and accounts receivable system. The system is designed for the smaller practice that wishes to automate one step at a time. THRESHOLD*TM contains the following modules: Accounts Receivable, Patient Statements, Custom Insurance Forms, Basic

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Medical Office Reports, and Basic Medical Office Listings. Additional program packs available include: Manager Pack, Financial Pack, Listing Pack, and Appointment Pack.

THRESHOLD is a comprehensive office management system that contains over 120 programs addressing activities from payment plan management to statistics on referring physicians. THRESHOLD contains all the programs in THRESHOLD*TM plus all the programs in the optional packs.

The Multi-User Option expands THRESHOLD*TM or THRESHOLD to a multiuser system. Workstations and network hardware and software allow more than one operator to access files, enter data, and run programs. Designed for the large practice with several employees or even several offices, this system can expand as needed.

CLAIM*NET is a nationwide network dedicated to insurance claims traffic. PC*CLAIM, PC*CLAIM PLUS, PC*CLAIM LINK, THRESHOLD*TM and THRESHOLD edit, prepare, and transmit claims from the user's office computer system to CLAIM*NET. The CLAIM*NET processing center then formats the claims and transmits them to designated insurance companies, which process the claims and mail payments directly to the providers.

Physicians Practice Management also offers the Management Advisory Service, providing consulting in areas such as marketing techniques, office policies and procedures, collections, insurance reimbursement, accounts receivable management, office layout and design, and general office administration.

Industry Markets

The company provides its products and services to the medical industry, specifically to physicians working in both small and large offices.

Geographic Markets

Physicians Practice Management has product installations at over 2,000 sites throughout the U.S.

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Noel Munson EVP

COMPANY HIGHLIGHT

PHARMACEUTICAL CARD SYSTEMS, INC.
2005 North Central Avenue
Phoenix, AZ 85004
(602) 257-1500

L. E. Melby, President
Wholly owned subsidiary of
Foremost McKesson
Total employees: 300
Total revenues, fiscal year end
3/31/78: $7,000,000*

THE COMPANY

- Pharmaceutical Card Systems, Inc. (PCS) was founded in early 1969 by former president Benjamin Ward and four others. It provided automated prescription claims processing for employee groups. In early 1970, Foremost McKesson acquired a controlling 51% interest in PCS. In the Fall of 1972, PCS became a wholly owned subsidiary.

- PCS now has four separate automated services which it offers to its more than 4,000 customers:

 - Pharmaceutical Card Systems offers employee drug benefit procesisng.
 - Vision Benefit Division (VBD)
 - Complimentary Prescription Services (CPS)
 - Pharmaceutical Data Services (PDS)

- INPUT estimates fiscal 1979 revenues will approach $9 million*, an increase of approximately 29% over estimated fiscal 1978 revenues of approximately $7 million.

- Major competition for the drug processing business comes from the Blue Cross organizations, Paid Prescriptions (recently acquired by CSC), and insurance companies' in-house claims processing systems.

KEY PRODUCTS AND SERVICES

- One hundred percent of PCS processing services are offered in batch mode. Some users submit computer tapes to PCS by mail; however, no clients are on-line to the computer.

- The Pharmaceutical Card System utilizes a plastic card that is issued to all the employees of participating firms. These insured employees use the card to purchase drugs. After submitting drafts for the drug transactions, the druggists are repaid by PCS. This system interfaces with 54 group writing insurance carriers.

* INPUT estimate

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- The Vision Benefit Division (VBD) administers vision insurance for its clients. This includes insurance for eye glasses, eye examinations, and other items covered by the individual company's insurance policy.

- The Complimentary Prescription Service (CPS) is a service the company offers to approximately 100 drug manufacturers as a replacement for distributing drug samples to medical doctors. CPS supplies the drug manufacturers with preprinted prescription blanks or discount coupons containing the drug name and start-up dosage. These blanks are distributed to doctors who sign them and give them to their patients. Patients give the forms to their druggists in exchange for free or discounted medication. The druggists then send the completed forms to PCS for payment.

- Pharmaceutical Data Services (PDS), a proprietary data base of drug information, sells market information to drug manufacturers. The data is composed of information obtained by the other three PCS groups. It is then manipulated to give market figures and information used by drug manufacturing clients to track trends in drug usage and develop market strategies. Federal government agencies also use the data base.

APPLICATIONS AND INDUSTRY MARKETS

- Approximately 75% of PCS services are general business and 25% industry specialty.

- General business services, available to any company offering a group health plan including drug or vision insurance benefits, are:

 - Pharmaceutical Card Systems
 - Vision Benefit Services

- Industry specialty services are:

 - Complimentary Prescription Service, sold to drug manufacturers (process manufacturing)
 - Pharmaceutical Data Services, a specialized data base sold to drug manufacturers and the Federal government.

GEOGRAPHIC MARKETS Approximately 2% of total revenues are derived from Canada and Puerto Rico. The U.S. revenues, 98% of the total, are derived from all 50 states.

COMPUTER HARDWARE AND SOFTWARE PCS uses a Univac 1100 Series computer in providing its services.

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PHYSICIANS PRACTICE MANAGEMENT
350 East New York Street
Suite 300
Indianapolis, IN 46204-2134
(317) 634-8080

Bill Noel, President
Private Company
Total Employees: 38 (10/90)
Total Revenue, Fiscal Year End
1/31/90: $2,900,000 *

* Company estimate

The Company

Physicians Practice Management (PPM), formed in 1978, provides software products and network services used in electronic medical insurance claims submission. During 1988, the company began offering an additional service called the Management Advisory Service.

Fiscal 1990 revenue reached approximately $2.9 million. PPM management anticipates that fiscal 1991 revenue will reach $3.3 million.

Key Products and Services

Approximately 50% of fiscal 1990 revenue was derived from electronic data interchange (EDI) software products. The remaining 50% was derived from CLAIM*NET network services.

PPM offers the following software products for IBM PC, XT, AT, PS/2 and most compatibles:

- PC*CLAIM PLUS is a complete insurance filing system for physicians who want to automate only insurance claim processing without disrupting the entire routine of the practice.
 - PC*CLAIM PLUS transmits electronic claims via the CLAIM*NET network to participating insurance carriers including Medicaid, Medicare B, Blue Shield plans and commercial carriers. PC*CLAIM PLUS also prints claims on the standard AMA 1500 form.
 - PC*CLAIM PLUS provides a patient data base that retains information on patients, including demographic, insurance, and other information in support of speedy claims filing.
- PC*CLAIM LINK provides interface capability, giving a physician's current medical software system the ability to transmit electronic claims. PC*CLAIMS LINK contains all the

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features of PC*CLAIM PLUS and captures data from the host computer system to create electronic claims.

- THRESHOLD*TM is a basic billing, insurance filing, and accounts receivable system. The system is designed for the smaller practice that wishes to automate one step at a time. THRESHOLD*TM contains the following modules: Accounts Receivable, Patient Statements, Custom Insurance Forms, Basic Medical Office Reports, and Basic Medical Office Listings. Additional program packs available include: Manager Pack, Financial Pack, Listing Pack, and Appointment Pack.

- THRESHOLD is an office management system designed for the actively managed practice that contains over 120 programs addressing activities from payment plan management to statistics on referring physicians. THRESHOLD contains all the programs in THRESHOLD*TM plus all the programs in the optional packs.

- The Multi-User Option expands THRESHOLD*TM or THRESHOLD to a multiuser system. Workstations and network hardware and software allow more than one operator to access files, enter data, and run programs. Designed for the large practice with several employees or even several offices, this system can expand as needed.

- Valence is an electronic mail and messaging system that can be used either as a standalone system or added to a PC*CLAIM PLUS, THRESHOLD*TM, or THRESHOLD system. Valence can be used to communicate with other people in the same office, other physicians, hospitals, labs, PPM dealers, and PPM support staff.

CLAIM*NET is PPM's nationwide network that transmits claims for any insurance company or government claims carrier accepting claims electronically.

- PPM's software products edit, prepare, and transmit claims from the user's office computer system to CLAIM*NET.

- The CLAIM*NET processing center then formats the claims and transmits them to designated insurance companies, which process the claims and mail payments directly to the providers.

Physicians Practice Management also offers the Management Advisory Service, providing consulting in areas such as marketing techniques, office policies and procedures, collections, insurance

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reimbursement, accounts receivable management, office layout and design, and general office administration.

Industry Markets

The company provides its products and services to the medical industry, specifically to physicians working in both small and large offices.

Geographic Markets

Physicians Practice Management has product installations at over 2,000 sites throughout the U.S.

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

August 1996

PictureTel Corporation

Chairman, President & CEO: Dr. Norman E. Gaut
100 Minuteman Road
Andover, MA 01810
Phone: (508) 292-5000
Fax: (508) 292-3300
Internet: http://www.picturetel.com

PictureTel

Status:	Public
Employees:	1,250 (6/96)
Revenue:	$346,758,000
Fiscal Year End:	12/31/95

Key Points

- PictureTel offers a complete line of videoconferencing solutions, from LAN products to desktop systems to high-end group systems.
- The company claims to have 51% of the worldwide market share of videoconferencing solutions, with more than 25,000 systems installed.
- In June 1996, PictureTel acquired exclusive worldwide rights to a standards-based, software-only analog videoconferencing product that operates over traditional telephone lines.

Company Description

PictureTel, founded in 1984, develops, manufactures, markets, and services visual communications systems and collaboration software using video and audio compression technology that permits users to hold face-to-face meetings at a distance via telephone lines.

Organization and Structure

PictureTel is organized into the following units:

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- The Enterprise Systems Group markets the company's videoconferencing solutions through two systems divisions as follows:
 - The Group Systems Division develops, manufactures, supports, and markets two group videoconferencing system product lines—the Performance Family and the Value Family.
 - The Personal Systems Division provides desktop videoconferencing systems.
- The Network Systems Division provides networking solutions that enable videoconferences to be conducted simultaneously across multiple sites.
- The Enterprise Services Division offers service, planning and maintenance programs for its system clients.

PictureTel is headquartered in Andover (MA). In the U.S., the company maintains five regional sales and support offices and 18 additional branch sales and support offices located in or near Boston and Waltham (MA); New York (NY); East Rutherford (NJ); Stamford (CT); Washington, D.C.; Chicago (IL); Detroit (MI); Minneapolis (MN); Atlanta (GA); Dallas and Houston (TX); Los Angeles and San Francisco (CA); St. Louis (MO); Philadelphia, Pittsburgh, and King of Prussia (PA); Denver (CO); Pompano Beach (FL); Seattle (WA); Phoenix (AZ); Kansas City (KS); and Cincinnati (OH).

Outside the U.S., PictureTel has operating subsidiaries in the U.K., Germany, Switzerland, Sweden, Australia, and Japan. Additionally, the company has branch offices in Canada, France, Hong Kong, the People's Republic of China, and Singapore.

PictureTel's key executives are listed below.

PictureTel Key Executives

Name	Title
Dr. Norman E. Gaut	Chairman, President, CEO
Les B. Strauss	VP and CFO
Domenic J. LaCava	VP, Enterprise Systems Group
Khoa D. Nguyen	VP and CTO
William L. Avery	VP, Network Systems Division
David W. Grainger	VP, Enterprise Service Division
Lawrence M. Bornstein	VP, Human Resources
Stephen J. Crummey	VP, Worldwide Sales
Rick H. Faulk	VP, Corporate Marketing

Company Strategy

PictureTel's mission is as follows:

"Our mission is to provide our worldwide customers the freedom to be *AnywhereNow*™. We will deliver visual-based products and customer support services such that individuals and groups in different locations can work together productively and naturally."

The company's strategy is to expand and support an enterprise-wide family of videoconferencing solutions for corporate, small-office, and home-office customers. Elements of the company's strategy include:

- Continuing to concentrate on vertical market segments in health care, distance learning, government, and finance
- Developing new products using its core technology

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- Exploring the opportunity-rich global Internet environment
- Forging relationships with other industry leaders

Financials

PictureTel's 1995 revenue reached $346.7 million, a 36% increase over 1994 revenue of $255.2 million. Net income rose 329%, from nearly $4.6 million in 1994 to more than $19.6 million in 1995.

A five-year financial summary follows:

PictureTel Corporation
Five-Year Financial Summary
($ Millions, except per share data)

	Fiscal Year				
Item	1995	1994	1993	1992	1991
Revenue	$346.7	$255.2	$176.3	$141.4	$78.0
• Percent change from previous year	36%	45%	25%	81%	N/A
Income before taxes	$27.5	$6.9	$11.4	$13.3	$6.8
• Percent change from previous year	296%	(39%)	(14%)	96%	N/A
Net income	$19.6	$4.6	$8.4 (a)	$10.6 (b)	$6.0 (b)
• Percent change from previous year	329%	(46%)	(21%)	79%	N/A
Earnings per share	$0.56	$0.15	$0.27	$0.33	$0.21
• Percent change from previous year	73%	(44%)	(18%)	57%	N/A

(a) Includes $1.0 million from a change in the method of accounting.

(b) Includes an extraordinary credit of approximately $2.3 million in 1992 and $1.9 million in 1991 related to a tax benefit from net operating loss carryforwards.

Revenue growth in 1995 was primarily a result of increased videoconferencing system unit shipments. This growth was partially offset by a reduction in the average selling price of videoconferencing systems resulting from a shift toward lower priced models, especially in the personal desktop products, as well as a shift in the distribution channel mix, with approximately 67% of revenue now coming from indirect channels.

Research and development expenses were approximately 13%, 15%, and 17% of revenue for 1995, 1994, and 1993, respectively.

Revenue Analysis by Product/Service

Approximately 85% of PictureTel's 1995 revenue was from videoconferencing system sales.

- Sales of group and desktop videoconferencing products accounted for 70% and 15%, respectively, of revenue for 1995, compared with 76% and 9%, respectively, for 1994.
- The remaining 15% of 1995 revenue was derived primarily from maintenance services, licensing/development agreements,

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and the ale of standalone codecs and video modems.

Interim Results

Revenue for the six months ending June 30, 1996 reached $221.1 million, a 43% increase over $154.6 million for the same period in 1995. Net income reached $16 million, compared to $7.3 million for the same period a year ago.

Market Financials

PictureTel markets its videoconferencing systems principally to the Fortune/Service 500. These large companies typically have multiple locations in the U.S. as well as internationally and typically specify a single vendor to supply equipment on a worldwide basis.

The company has clients in the discrete and process manufacturing, banking and finance, transportation, insurance, health care, software, publishing, education, automotive, pharmaceutical, consulting, advertising, petroleum, and many other industries.

Geographic Markets

Approximately 57% of PictureTel's 1995 revenue was derived from the U.S. (excluding export sales) and 43% from international markets.

A three-year geographic source of revenue summary follows:

PictureTel Corporation
Three-Year Geographic Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1995		1994		1993	
Geographic Market	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
U.S. (a)	$231.7	67%	$164.2	64%	$133.7	76%
Europe	79.0	23%	62.9	25%	28.4	16%
Asia/Pacific	36.0	10%	28.1	11%	14.2	8%
Total	$346.7	100%	$255.2	100%	$176.3	100%

(a) Includes export revenue from the U.S. of approximately $33 million in 1995, $17.1 million in 1994, and $26.1 million in 1993.

Acquisitions

In June 1996, PictureTel acquired the exclusive worldwide rights to a standards-based, software-only H.324 videoconferencing product developed by Vivo Software, Inc.

- This product, which is targeted to the consumer and small-office markets, turns multimedia PCs into videophones that use the same analog telephone lines present in every home and business.
- PictureTel is working to forge OEM agreements with leading PC and modem manufacturers who will bundle this technology with their products.

Employees

As of December 31, 1995, PictureTel had 1,182 employees, segmented as follows:

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Sales, marketing, and customer support	562
Product development and engineering	323
Manufacturing	134
Administration and finance	163
	1,182

The company currently has approximately 1,250 employees.

Key Products and Services

Group Systems

PictureTel's group videoconferencing systems consist of five basic modules or components:

- An electronics module, including audio and video subsystems
- A camera
- A display monitor
- A user interface
- A WAN interface

The Performance Family is PictureTel's premier line of products and includes the S-4000ZX and the Concorde 4500 products.

- The S-4000ZX list prices range from $30,000 to $50,000+ fully configured.
- The Concorde 4500 system, introduced in April 1995, is for companies with complex, global corporate requirements.

The Value Family is PictureTel's product line for price-sensitive users and includes the Venue 2000 products.

- The Venue 2000, PictureTel's second-generation Value system, was introduced in April 1995.
- List prices range from $13,000 to more than $30,000 fully configured.

PictureTel REMOTE™, introduced in July 1996, is a Windows-based, software-only tool that enables service providers remotely to administer, reconfigure, view or edit a group videoconferencing system configuration.

Personal Systems

PictureTel Live100, introduced in July 1993, is a personal videoconferencing system designed for use with a PC under Windows 3.1. It is the high-end member of the PictureTel Live product family, offering greater flexibility in terms of network support and expansion options. It lists for $4,995.

PictureTel Live50, announced in January 1995, offers a more affordable solution for ISDN networks. The product runs under Windows 3.1. The list price ranges from $2,995 to $3,495.

The Live200i videoconferencing product, introduced in October 1995, runs using Microsoft Windows 95. It consists of an audio/video board, camera, headset, and software. The product lists for $1,995.

PictureTel Live200p, announced in the second quarter of 1996, is a low-priced, standards-based system for PCs running Windows 95. It has a U.S. list price of $1,495.

The LiveLAN family of products supports the LAN market. List prices for these products start at $249.

LiveManager provides network managers with the tools to implement audio and videoconferencing successfully based on individual network configurations and capacities.

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LiveShare collaboration software with application sharing, shipped in July 1994, allows users to share files and interact on an application during a videoconference.

Developer's Toolkit is a set of software components designed to give programmers access to major functions for set-up and control of video, audio, windowing, data transfer, configuration, and network communications onto the desktop.

Network Systems

The Network Systems Division joins together the company's videoconferencing systems products into a company-wide or enterprise solution. Multipoint bridges and reservation and management systems software are the major revenue sources for the division.

The division's products deliver functionality that is shared among distributed videoconferencing systems throughout a network. Multipoint bridges enable videoconferences with more than two sites. Reservation and management systems allow conference rooms, bridging resources, and network facilities to be scheduled and managed in advance of upcoming meetings by anyone, right from the PC. Products include the following:

- The Montage Conferencing Server product line, launched in April 1995, is PictureTel's third-generation multipoint bridge. The smallest Montage supports eight sites in a multipoint conference for approximately $64,000 list price. The largest Montage systems support up to 48 sites in a single conference or any combination of conferences up to a total of 48 sites.

- Prism brings a new level of reliability and ease of use to multipoint conferencing while setting a new standard in price/performance. Launched in July 1996, Prism sells for just under $20,000.

- LiveScheduler is a scheduling and reservation system that uses a client/server architecture. Its database, automatic control mechanisms for other network devices, reporting systems, and management capabilities are all run by a central server. Users access the functions and capabilities through clients or a small Windows-based application resident on their PC. LiveScheduler can also automatically set up a videoconference by provisioning the proper network and dialing up the phone numbers of each site to be connected.

Options and Peripherals

The group and personal system videoconferencing products are available with a number of software and hardware options.

Support Services

PictureTel offers the following support services to its system clients:

- *Managed Services* assist companies running multipoint conferences.

- *Integration Services* offer customized planning, integration, and project management.

- *Educational Services* provide training for users.

- *Bridging Plus* is a single point of control for worldwide bridging, installs, maintains, and manages multipoint bridges and conferences for corporate customers.

Clients

PictureTel has more than 4,000 customers worldwide, including 3Com, Arizona State University, Andersen Consulting, Bank of Boston, Bankers Trust, Bell Atlantic,

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Chevron, Deere & Company, EMI Records, Estee Lauder Companies, Federal Express, Ford Motor Co., Goldman Sachs, IBM, Laura Ashley, Lotus, Mellon Bank, Metropolitan Life, Monsanto, N.E. Medical Center, N.Y. Power Authority, Northern Telecom, Novell, Oracle Corporation, Owens Corning, Raytheon, Readers Digest, Shell Oil, Stanford University, United Technologies, and Viacom.

Marketing and Sales

PictureTel and its wholly owned subsidiaries distribute the company's products worldwide through direct sales and indirect channels of distribution. During 1995, approximately 33% of worldwide product revenue came from direct selling activities and 67% from indirect sales channels.

U.S. Sales—Indirect Channels

To address the market below the Fortune/Service 500 and expand the company's presence in the Fortune/Service 500 market, PictureTel has increased the number of telecommunication equipment distributors, regional Bell operating companies (RBOCs), and value-added resellers who distribute the company's products.

- Telecom distributors, or interconnects, act as dealers for PictureTel and typically distribute other communications equipment such as PBX systems, voice processing equipment, and multiplexers, as well as network services, to large, medium, and small companies.

- RBOCs typically sell third-party-manufactured systems that leverage the use of their switched and dedicated network services.

- PictureTel offers an applications developer program whereby it sells its VM-400 Video Modem and Developer's Toolkit to developers, VARs, OEMs, and systems integrators. Using PictureTel's visual communications technology, developers can write applications to provide products for vertical markets such as distance learning, telemedicine, and remote interviewing.

- With the introduction of the PictureTel Live, PCS 100, PCS 50, and PCS 200i products, PictureTel continues to develop relationships with established PC distributors and resellers.

U.S. Sales—Direct Sales

PictureTel directly markets its videoconferencing systems principally to the Fortune/Service 500 through five regional sales and support offices and 18 additional branch sales and support offices.

PictureTel's direct selling activities have been assisted by its comarketing arrangements with major long-distance carriers.

International Distribution

Outside of the U.S., PictureTel's products are marketed through a network of foreign distributors and PictureTel foreign subsidiaries.

Agreements with foreign distributors provide for pricing, volume discounts, order lead times, a specific geographic territory, and other terms and conditions and are typically of terms of one to three years with options to extend.

Distributors

PictureTel distributors include Alcatel, AT&T, BT, D&H Distributing, EGT France Telecom, IBM Europe Multimedia Group and PC Company, GTE, CompuCom, Inacom, Intellicom, Ingram Micro Inc., Sprint, U S WEST, Deutsche Bundespost Telekom, PTT

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Telecom Netherlands, Siemens, Otsuka Shokai, Sanyo, and Toshiba.

Alliances

PictureTel has strategic partnerships with a number of PC and telecommunications industry players, including:

- AT&T
- BT
- Compaq Computer Corp.
- IBM
- Microsoft
- MCI
- NTT
- 3Com
- Zenith Data Systems

Competition

In the high-bandwidth-transmission (384 kpbs to 2.048 mbps) videoconferencing market, competitors include BT, Compression Laboratories, NEC, and GEC Plessey Telecommunications.

Low-bandwidth videoconferencing competitors in the U.S. include Compression Laboratories, VTEL Corporation, and Intel Corporation. Outside the U.S., competitors include GPT, Philips Kommunikations Industries AG, Vista Communications Instruments, Tandbergy Telecom AS, Mitsubishi Ltd., NEC, Hitachi, Sony Corporation, Fujitsu Ltd., and Panasonic.

In the personal visual communications segment, current competitors include Intel, Creative Labs, and Netscape.

Assessment

PictureTel considers its strengths to include:

- A global distribution network for its products and services, with direct sales offices in major world cities along with a worldwide roster of distribution partners
- A leading presence in both group and personal videoconferencing systems, with the ability to provide an enterprise-wide videoconferencing solution
- Quality service and support
- Acting as a leading driver of videoconferencing standards, including H.320 and T.120
- A singular focus on videoconferencing

Challenges over the coming year include:

- Continuing market expansion (less than 0.1% penetration currently)
- Developing new solutions for LANs, WANs, and the Internet
- Managing growth
- Competition at the low end of the market

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PIEDMONT SYSTEMS INCORPORATED
4400 Silas Creek Parkway, #300
Winston-Salem, NC 27104
(919) 760-3620

Chuck Cloer, President
Private Company
Total Employees: 8

The Company

Piedmont Systems was founded in February 1987 to develop and market electronic data interchange (EDI) management software. The principals of Piedmont Systems have a background in application software and the distribution industry.

Piedmont Systems' strategy focuses on developing EDI software with extensive mapping and translation features for easy integration with a client's existing applications. The company claims it can typically have an installation site functional in one day, and can shorten or eliminate a test phase in a standalone operation.

Key Products and Services

Piedmont Systems' EDI software product, TEL-EDI, was introduced in April 1988.

- TEL-EDI supports ANSI X12 and TDCC standards and its subsets.
- TEL-EDI runs on single-user MS-DOS (Version 2.0 or higher) systems (IBM PC and compatibles) and low-end multiuser systems running under UNIX or XENIX.
- The general features of TEL-EDI are the following:
 - Document turnaround
 - On-line search capability
 - Automatic, timed dial-out mode
 - Transmission control reporting
 - Multiple third-party network support
 - Table driven--all tables user modifiable
 - Ability to create proprietary formats and subsets
- In a front-end or integrated environment, Piedmont Systems claims a unique process for mapping EDI data into applications files. With the exception of ID codes, users can specify the code

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set, numeric and data packing schemes, and byte locations of the data to be presented to their internal applications. These specifications can be done using a single, flat file, or multilevel files up to ten levels deep. The primary benefit is that users can design the TEL-EDI output file to look like one of their own records rather than pick data from a rigid format designated by the vendor's software.

- The TEL-EDI Base Package is priced at $2,495. The TEL-EDI Integration Option, which enables users to interface with their existing applications, is priced at $1,190.
- Annual maintenance is priced at $450 for the Base Package and $650 for the Base Package with Integration Option.
- There are currently over 200 TEL-EDI installations.

Industry Markets

Piedmont Systems' customers are primarily small to medium-sized businesses. Approximately 60% are in distribution, and the remaining 40% are manufacturing companies. The company has customers in the tobacco, textile, glass, chemical, and automotive industries.

Geographic Markets

One hundred percent of Piedmont Systems' revenue is derived from the U.S. Future plans include expansion into international markets.

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PIEDMONT SYSTEMS INCORPORATED
4400 Silas Creek Parkway, #300
Winston-Salem, NC 27104
(919) 760-3620

Chuck Cloer, President
Private Company
Total Employees: 8

The Company

Piedmont Systems was founded in February 1987 to develop and market electronic data interchange (EDI) management software. The principals of Piedmont Systems have a background in application software and the distribution industry.

Piedmont Systems' strategy focuses on developing EDI software with extensive mapping and translation features for easy integration with a client's existing applications. The company claims it can typically have an installation site functional in one day, and can shorten or eliminate a test phase in a standalone operation.

Key Products and Services

Piedmont Systems' EDI software product, TEL-EDI, was introduced in April 1988.

- TEL-EDI supports ANSI X12 and TDCC standards and its subsets.
- TEL-EDI runs on single-user MS-DOS (Version 2.0 or higher) systems (IBM PC and compatibles) and low-end multiuser systems running under UNIX or Xenix.
- The general features of TEL-EDI are the following:
 - Built-in order entry/invoicing applications system
 - On-line search capability
 - Automatic, timed dial-out mode
 - Transmission control reporting
 - Multiple third-party network support
 - Table driven--all tables user modifiable
 - Ability to create proprietary formats and subsets
- In a front-end or integrated environment, Piedmont Systems claims a unique process for mapping EDI data into applications files. With the exception of ID codes, users can specify the code

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set, numeric and data packing schemes, and byte locations of the data to be presented to their internal applications. These specifications can be done using a single, flat file, or multilevel files up to ten levels deep. The primary benefit is that users can design the TEL-EDI output file to look like one of their own records rather than pick data from a rigid format designated by the vendor's software.

- The TEL-EDI Base Package is priced at $2,495. The TEL-EDI Integration Option, which enables users to interface with their existing applications, is priced at $995.
- Annual maintenance is priced at $450 for the Base Package and $650 for the Base Package with Integration Option.
- There are currently over 200 TEL-EDI installations.

Industry Markets

Piedmont Systems' customers are primarily small to medium-sized businesses. Approximately 60% are in distribution, and the remaining 40% are manufacturing companies. The company has customers in the tobacco, textile, glass, chemical, and automotive industries.

Geographic Markets

One hundred percent of Piedmont Systems' revenue is derived from the U.S. Future plans include expansion into international markets.

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John Tripodi VP

COMPANY HIGHLIGHT

PILGRIM HEALTH APPLICATIONS INC.
41 North Road
Bedford, MA 01730
(617) 275-7600

George W. Eichman, President
Wholly owned subsidiary of
Arthur D. Little & Co.
Total employees: 120
Total sales, fiscal year end
6/30/78: $4,000,000*

THE COMPANY

- Pilgrim Health Applications, Inc. (PHA) was founded in Massachusetts during 1973 to process pharmaceutical claims for the Commonwealth of Massachusetts.
 - Today PHA continues to process medical claims and offers quality assurance programs, such as drug utilization review, peer review, and provider audits.
 - Arthur D. Little & Company, which initially owned half of PHA, bought the remaining interest in 1977.
- Revenues increased at an annual average growth rate of about 20% between fiscal 1976 and 1978, from $2.6 million to an estimated $4.0 million. Management expects revenues and staff to double in fiscal 1979 as a result of having recently been awarded a large new claims processing contract.
- PHA's 120 employees were distributed as follows:

Marketing/sales	2%
Software services/customer support (including eight auditors and four peer review persons)	13
Computer operations (including keypunch)	80
General and administrative	5
	100%

- Additional staff, for systems analysis and programming assistance, is available from Delphi Associates, another Arthur D. Little subsidiary.

*INPUT estimate

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KEY PRODUCTS AND SERVICES

- Approximately 90% of PHA's fiscal 1978 revenues were generated by processing services and approximately 10% by professional services. Currently computer services are provided to two users, Massachusetts and Connecticut, which use some federal funds in providing health care services to welfare recipients.

- Processing services are comprised entirely of facilities management contracts to process welfare, drug, dental, optical, and medical claims.

 - All processing is run in batch mode.
 - Users typically contract for a period of from one to three years.
 - Upon expiration of the contract, the user has the option to convert to in-house data processing centers with PHA staff support. To date, no user has exercised this option.

- PHA and Arthur D. Little developed internally the software for Medicaid profile analysis, utilization review, peer review, and claims file maintenance.

 - Claims processed are expected to double from 10 million in fiscal 1978 to over 20 million in fiscal 1979.

- Professional services include consulting, systems analysis, and contract programming.

 - Consulting generated 8% of fiscal 1978 revenues.
 - Consulting includes auditing of medical records, peer review, drug utilization review, and provider audits.
 - Audit teams use computer-generated exception reports and randomly selected data from prescription or other data bases.

- Management is considering offering hospital services in the future.

APPLICATIONS PHA provides industry specialized applications, specifically claims processing and professional services for state governments.

INDUSTRY MARKETS One hundred percent of PHA revenues are derived through state governments. Eventually PHA may process claims for other industries such as hospitals.

GEOGRAPHIC MARKETS Fiscal 1978 revenues for PHA were derived entirely from the New England states, specifically Connecticut and Massachusetts.

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COMPANY HIGHLIGHT/PILGRIM HEALTH APPLICATIONS INC.

COMPUTER HARDWARE AND SOFTWARE

- Currently all processing services are performed on an IBM System/360 Model 40.
 - An IBM System/370 Model 145 is on order. It will replace the System/360 Model 40.
 - The parent company's IBM System/370 series mainframe is available for backup.
- PHA expects to double computing capacity by the first quarter of 1979.

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PILOT EXECUTIVE SOFTWARE
40 Broad Street
Boston, MA 02109
Phone: (617) 350-7035
Fax: (617) 350-7118

David Friend, President and CEO
Private Corporation
Total Employees: 370 (12/91)
Total Revenue, Fiscal Year End 12/31/91: $50,000,000

The Company

Pilot Executive Software, founded in 1983, develops, markets, and supports executive information systems (EIS) and decision support systems (DSS) software for implementing business intelligence systems (BIS).

- Pilot is a privately held corporation with solid investment support. A founding investor, First Chicago Venture Capital, is one of the world's largest venture capital firms. Thorn EMI, a diversified company with annual sales of more than $5.5 billion, is also a major Pilot shareholder.

In September 1991, Pilot announced a new product strategy for creating enterprise-wide BISs, using the technologies of local-area networks (LANs), client/server computing, and open systems architectures. In conjunction with this announcement, Pilot announced a new generation of LAN-based products and new versions of its mainframe EIS and DSS products that bring these host-based systems into a client/server environment.

In January 1991, Pilot acquired the business operations of the TECS division of U.K.-based Thorn EMI Software in a stock transaction. This division was about equal in size to Pilot.

- The acquisition included outright ownership of the Financial Control System (FCS) product line of decision support systems; a new workstation-based DSS for Windows 3.0; consulting and professional services; research and development; and worldwide sales and marketing.

- The acquisition increased Pilot's customer base, expanding its product line to include a DSS offering, and added a network of highly experienced consultants, applications developers, and technical support personnel.

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- Pilot previously acquired the U.S. operations of Thorn EMI Software in April 1989 and Pilot was the exclusive marketer of FCS in the U.S.

Pilot's 1991 total revenue, including the acquired business of Thorn EMI Software, reached an estimated $50 million.

Pilot's major competitors include Comshare and Information Resources, Inc.

Key Products and Services

INPUT estimates that approximately 85% to 90% of Pilot's 1991 revenue was derived from software products and support services and the remainder from consulting professional services.

EIS Products:

Command Center is Pilot's cooperative processing EIS that enables corporate MIS departments to develop systems that filter and compress a wide range of internal and external information, allowing managers and other decision makers to review, track, and control their organization's performance.

- During 1991, Pilot announced a major upgrade (version 4A) of Command Center. Command Center 4A's workstation now supports Windows 3.0, providing Command Center users with a more flexible, intuitive graphical user interface (GUI) for EIS application development and use. Through Windows' Dynamic Data Exchange (DDE), Command Center can communicate directly to other Pilot products and Windows applications. Command Center can also now be used as a powerful mainframe or mini-based server for LAN applications.

- Command Center uses the PC or Macintosh as the window into the host EIS data. On the host, Command Center stores and manipulates information. When the host receives a request from the workstation, Command Center retrieves the data, formats it, and presents it as a series of colorful text, charts, graphs, and tables.

- Command Center runs on a number of mainframe and department environments, including IBM VM/CMS and MVS/TSO and DEC VAX/VMS. Version 4A will also soon be available for HP/UX, AT&T UNIX System V, and SCO UNIX. Workstation operating environments include IBM PC and compatible computers running Windows 3.0, and Apple Macintosh computers.

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- There are currently over 250 Command Center clients worldwide, supporting over 8,000 users.
- Command Center 4A is U.S. priced from $20,000 to $150,000, depending on the platform and configuration.

Pilot offers a variety of off-the-shelf applications to enhance the functionality of Command Center, including the following:

- Advantage/G, an application development code generator, is used to develop and present hierarchical views of data.
- Multipath/G provides drill-down data navigation, exception reporting, and trend analysis from information in relational tables.
- Dimension/G is used to create ad hoc queries and data presentations.
- IMpact addresses short-term issues, crises, and goals, with ad hoc reporting structures.
- Target supports data from various project management packages and allows customers to trace projects from within the EIS.
- Compression Grid is used to issue ad hoc queries directly against a live SQL data base.
- Executive Mail provides access from within an EIS to a host's electronic mail system.
- NewsLink allows customers to access news and information from their EIS.
- Competitive Analysis uses spreadsheet data files or data from third-party data base services to display and compare performance data from other companies.
- Key Performance Ratios allows the user to track and display the ratios used to measure company performance.
- The above applications range in price depending on the platform.

LightShip™, introduced in September 1990, is a data-driven visual information access designed specifically for Windows 3.0. The product provides access to company and external information through graphical screen presentations.

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- In January 1991, Pilot and Information Builders, Inc. entered into a strategic technology agreement whereby Information Builders is bundling LightShip with a Windows interface to PC/FOCUS, creating FOCUS/EIS for Windows.

- In July 1991, Pilot released LightShip version 3.0, offering greater data access options and more performance and data presentation flexibility. LightShip 3.0 is priced at $795.

- LightShip Lens™, introduced in July 1991, is a LightShip add-on product that provides a graphical data access interface to most popular PC and LAN-based file types. It is priced at $195.

Pilot EIS for LANs, introduced in September 1991, is a Windows 3.0-based EIS for LANs that can access an extensive list of data sources to address a range of business information requirements and can work on any size network from a single laptop to an enterprise-wide information system.

- Pilot EIS for LANs includes LightShip, which serves as the front end, LightShip Lens, the middleware computation engine, and TimeBase™, a multiuser, multi-dimensional time-series data base that acts as the back-end server.

- Pilot EIS for LANs Starter Kit is U.S. priced at $40,000 for 15 users and three developers. The kit includes on-site consulting and training services.

DSS Products:

FCS is an integrated mainframe financial planning and decision support system that supports spreadsheet, modeling, analysis, consolidation, reporting, graphics, and data management functions.

- FCS 3.0, released in September 1991, is a major upgrade that is fully integrated with Command Center 4A. FCS and Command Center applications can now run as a single program and share data and variables transparently.

- FCS runs on IBM mainframes under IBM MVS/TSO (MVS/SP, MVS/XA, MVS/ESA) and VM/CMS (VM/SP, VM/XA) and DEC VAX systems. FCS 3.0 is U.S. priced from $50,000 to $100,000, depending on platform and configuration.

- Pilot also introduced a Windows-based LAN version of FCS that supports Dynamic Data Exchange (DDE) to communicate with

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LightShip and other Windows applications. FCS for LANs is U.S. priced at $1,295 for a single copy with volume discounts available.

- There are over 3,800 users of FCS worldwide, including 30 of the 100 largest U.S. corporations and 70 of the 100 largest British corporations.

Professional services provided by Pilot include training, implementation assistance, project management, consulting, and complete turnkey design and development.

Industry Markets

Pilot has clients in engineering, manufacturing, financial services, government, pharmaceutical/health care, food/beverage, transportation, aerospace/defense, retail, and computer/communications.

Customers include Unum, Duracell, Xerox, Sony, New York Life, Rockwell, ITT Avionics, *Chicago Tribune*, California Federal Bank, and Nabisco Foods.

Pilot has marketing alliances with Information Builders, RJO, DMR, Andersen Consulting, HBO & Company, and Desktop Data.

Geographic Markets

Approximately 50% of Pilot's 1991 revenue was derived from the U.S. and 50% from international sources.

Pilot's products are sold worldwide through Pilot's own direct sales force, value-added resellers, distributors, and wholly owned subsidiaries in more than 25 key markets.

U.S. field offices are located in Arlington (VA), Atlanta (GA), Chicago (IL), Freehold (NJ), New York (NY), and Stamford (CT).

International subsidiaries/offices are located in the U.K., Germany, Italy, and France. Distributors are located in 23 key markets, including countries such as Australia, Spain, Benelux, and in the Far East.

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PILOT EXECUTIVE SOFTWARE
40 Broad Street
Boston, MA 02109
(617) 350-7035

David Friend, President and CEO
Private Corporation
Total Employees: 150 (12/89)
Total Revenue, Fiscal Year End
12/31/89: $24,000,000*

*INPUT estimate

The Company

Pilot Executive Software was founded in 1983 to develop, market, and support executive information systems (EIS) software. Its first product line, Command Center™, was introduced in 1985.

Pilot is a privately held corporation with investment support from four venture capital firms, including First Chicago Venture Capital. During 1989, Thorn EMI acquired an equity position in Pilot.

The company's strategy is to deliver on-line information access to a broad base of information users, regardless of title. Further, the objective is to deliver information that is more timely than would be possible with paper-based reporting systems and to offer the user access to far more data or views of data than would be possible with other means. The use of graphics to present data in a useful format is an integral part of EIS design.

In April 1989, Pilot acquired the U.S. operations of Thorn EMI Computer Software, Ltd. of Great Britain, which markets the FCS line of decision support systems.

- The acquisition increased Pilot's U.S. user base from 150 to 800; expanded its product line; and added a network of consulting, applications building, and technical support personnel.
- Pilot is now the exclusive marketer of FCS in the U.S.

Pilot's 1989 revenue reached an estimated $24 million. Since 1984, the company has experienced a compound annual growth rate in excess of 75%.

As of December 1989, Pilot had 150 employees. The company currently has over 150 employees.

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Through 1989, Pilot had over $11.5 million invested in EIS research and development.

Key Products and Services

INPUT estimates approximately 83% ($20 million) of Pilot's 1989 revenue was derived from software products and 17% ($4 million) from professional services.

Command Center is Pilot's EIS development environment that allows corporate MIS departments to develop systems that filter and compress a wide range of internal and external information, allowing executives to review, track, and control their corporate performance.

- Command Center features a cooperative processing architecture, using IBM PC, XT, AT and compatibles or Macintoshes as workstations. IBM 370 systems running VM/CMS or MVS/TSO, DEC VAX systems under VMS, or HP/9000 systems under HP/UX serve as the host.
- Data base software resides on the mainframe, while graphics and user interfaces reside on the PC. Communications software resides on both the mainframe and PC.
- The host component of Command Center ranges in price from $45,000 to $150,000.
- There are currently over 250 Command Center clients worldwide, supporting over 8,000 users.

The EIS/G "Generation" series of EIS applications, introduced in January 1989, features menu-driven code generators which eliminate the need to learn a development language and allow EIS developers to modify and customize applications using a mouse-drive interface.

- Advantage/G is designed to handle and present hierarchical views of financial data.
- Multipath/G is designed to provide a hierarchical view of financial data organized in relational tables.
- Dimension/G provides ad hoc, relational data for sales and expense analyses.

Other Pilot applications for Command Center include:

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- Target, which provides project-oriented data for product development
- Competitive Analysis uses spreadsheet data files or data from third-party data base services to display and compare performance data from other companies.
- Economic Analysis provides an interface to ECONBASE and allows the user to display and compare data on a range of economic, financial, industrial, and trade statistics.
- Key Performance Ratios allows the user to track and display the ratios used to measure company performance.
- NewsTrack, which retrieves news stories from various third-party data bases
- IMpact, to track and control short-term issues, crises, and goals
- Personal Review, for transferring a specified subset of EIS reports to the workstation
- Executive Mail, which provides access from within an EIS to a mainframe 's electronic mail facility
- Worksheet for ad hoc calculations on the data presented by the EIS.
- Applications range in price from $5,000 to $25,000.

LightShip, introduced in September 1990, is Pilot's PC and LAN-based EIS environment that operates in Microsoft Windows 3.0.

- LightShip enables users to build and modify their standalone or LAN-based executive information systems.
- The suggested retail price is $795. Multi-user graduated pricing is also available.

Pilot is the the exclusive U.S. distributor of FCS, an integrated financial planning and decision support system which supports spreadsheet, modeling, analysis, consolidation, and data management functions.

- FCS operates on all major mainframe and minicomputer systems, including IBM, DEC, Wang, Hewlett-Packard, Data General, Honeywell, and Prime systems. MicroFCS is a microcomputer version of FCS.

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- There are over 3,800 users of FCS worldwide, including 30 of the 100 largest U.S. corporations and 70 of the 100 largest British corporations (through Thorn EMI).

- Pilot has integrated FCS and its EIS products to facilitate communications between executive users and their supporting analysts.

Professional services provided by Pilot include training, implementation assistance, project management, and complete turnkey design and development.

Industry Markets

Pilot has clients in the engineering/energy, food/beverage, insurance, paper, pharmaceuticals, manufacturing, transportation, utilities, aerospace/defense, banking, computer/communications, consumer/retail, and services industries as well as U.S. government agencies and foreign government clients.

Pilot has marketing alliances with RJO, DMR, Andersen Consulting, HBO & Company, and Desktop Data.

Geographic Markets

INPUT estimates approximately 90% of Pilot's 1989 revenue was derived from the U.S. and 10% from international sources. All international revenue is from royalties.

Pilot sells its products nationwide through Pilot's own direct sales force and value-added resellers.

U.S. field offices are located in Arlington (VA), Atlanta (GA), Belmont and Santa Monica (CA), Chicago (IL), Freehold (NJ), Houston (TX), New York (NY), and Stamford (CT).

Pilot's products are marketed in South America, Australia, and Europe by Thorn EMI. In Canada, Pilot's products are marketed by EPS Consultants. In Mexico, the products are marketed by Interep SA.

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

May 1995

PKS Information Services, Inc.

President & CEO: **Raul Pupo**
11707 Miracle Hills Drive
Omaha, NE 68154
Phone: **(402) 498-8250**
Fax: **(402) 496-8670**

Status:	Subsidiary
Parent	Peter Kiewit Sons'
Employees:	200 (5/95)
Revenue:	$55,000,000 *
Fiscal Year End:	12/31/94

* INPUT estimate

Key Points

- PKS Information Services has experienced significant growth in revenue and employees since its inception in late 1988.
- During 1994, revenue increase approximately 60% over 1993 levels and the company added approximately five new outsourcing clients.
- Revenue from noncaptive sources now represents approximately 95% of total revenue.

Company Description

PKS Information Services, Inc. (PKS) provides systems operations outsourcing and systems integration services to a range of commercial clients across the U.S.

- PKS' parent, Peter Kiewit Sons', is a $3 billion holding company headquartered in Omaha (NE) with operations in construction, mining, telecommunications, energy and information services. Peter Kiewit has designed computer centers for the Strategic Air Command (SAC) and U S WEST.
- PKS was formed in late 1988 to consolidate the computer center operations of Peter Kiewit's Continental Can business. PKS President, Raul Pupo, was formerly president of Genix and was responsible for the start-up of that business.

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- The company currently has approximately 25 outside clients, up from about 20 a year ago.

Company Strategy

The company's strategy is to provide quality services by developing a partnership with its customers and sharing the cost and responsibility of satisfying their business objectives.

Financials

INPUT estimates PKS Information Services' 1994 revenue reached approximately $55 million, up 60% from a year ago.

Approximately 95% of revenue is derived from noncaptive sources and 5% from services provided to PKS' parent, Peter Kiewit Sons'.

Source of Revenue by Product/Service

Approximately 85% of 1994 revenue was derived from systems operations (outsourcing) services and 15% from professional services consulting and systems development.

Market Financials

Although PKS Information Services has no overt industry focus, many of its clients are in the manufacturing industry.

A majority of the company's clients are Fortune 500 and large companies. More than 40% of clients are Fortune 500 companies and 20% are large subsidiaries of foreign-owned companies.

Geographic Markets

One hundred percent of revenue is derived from companies operating in North America.

Approximately seven or eight clients are subsidiaries or operating units of companies that are headquartered outside the U.S.

Employees

PKS Information Services currently has approximately 200 employees, up from about 160 employees a year ago.

Key Products and Services

PKS specializes in the systems operations segment of the outsourcing market, providing processing and associated support services to clients under long-term contracts.

- Systems operations contracts generally range from three to ten years in length.

- PKS believes its pricing is very competitive compared to the bigger systems operations vendors.

PKS' services include the following:

- *Computer Operations Management*—Includes all services necessary to plan, schedule, operate, and control the information processing environment according to customers' time-driven and/or event-driven business activities. These services include job scheduling/processing, output handling and distribution, equipment acquisition and maintenance and change notification to alert users of any changes to their information processing environment.

- *Data Security, Backup and Recovery*—These services are a standard part of PKS' systems operations services to protect the customer's information against unlawful, unauthorized, or improper modification, destruction, or disclosure. PKS also ensures that the customer's data is backed up according to its business requirements.

- *Technical Services*—Includes the systems software programming functions necessary to support and maintain the customer's operating system environment. Specific services include the installation and/or maintenance of the operating system and related systems software products to be compliant with new software

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releases and changes in the customer's business operations. Capacity planning and performance measurement analyses to tune the processing environment and meet the service-level expectations of the customer are provided.

- *Help Desk Services*—Includes telephone support 24 hours a day, 365 days a year by senior systems technicians.

- *Telecommunications Services*—PKS provides network engineering, provisioning and management of the dedicated data communications circuits and other related hardware.

 - Customers may also receive electronic mail and voice mail services on an as-needed basis.

 - Two long-distance gateways, located separately in Omaha, provide 100% redundancy.

 - PKS also offers voice telecommunications at significant savings. Distribution of service billing and cost information, ongoing management of service levels, and recommendations to improve price/performance are also provided.

- *Disaster Recovery Services*—PKS has a business interruption contingency plan designed to ensure the survival of the business in the worst possible scenario. The plan is based on two components—(1) prevention and (2) restoration of all company operations. The disaster recovery strategies implemented by PKS fuse each customer's critical business requirements with technical and procedural approaches known to ensure the availability of critical information systems during an unexpected outage.

- *Systems Integration Services*—PKS staff is available to provide certain applications software development and support services, including software conversions, ongoing adaptive and corrective maintenance of existing application systems and systems integration for both legacy and client/server applications. PKS also designs and implements LAN and WAN internetworking solutions.

PKS Computer Center

PKS has one 89,000 square foot computer center located in Omaha (NE). The center is engineered and operates as two independent facilities of roughly equal size. The company also operates a Remote Operations Command Center (ROCC) to minimize service interruptions.

- The computer center has IBM-compatible mainframes and DEC computers installed.

- The center was designed to ensure non-stop operations for its customers and take advantage of scale economies in hardware, software and overhead.

- Customer networks are configured to facilitate both low-cost incremental growth and maximum uptime. In managing the network, both low- and high-speed data rates are monitored to detect potential service-level problems.

Clients

PKS Information Services currently has approximately 25 clients.

Clients include:

- BASF (NJ)
- Bradford Exchange, Niles (IL)
- Kaiser Aluminum, Seattle (WA)
- Minolta (NJ)
- Precision Cast Parts-Airfoil, Portland (OR)
- Schuller (CO)

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Marketing and Sales

PKS Information Services sells its services through a direct sales force.

Competitors

PKS Information Services has positioned itself as a systems operations outsourcing company. The company perceives its major competition to come from Electronic Data Systems, IBM ISSC and Computer Sciences Corporation.

Parent Company

Peter Kiewit Sons', Inc.
One Thousand Kiewit Plaza
Omaha, NE 68131
Phone: (402) 342-2052

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IT2000

INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

February 1995

PKS Information Services, Inc.

President: **Raul Pupo**
11707 Miracle Hills Drive
Omaha, NE 68154
Phone: **(402) 498-8250**
Fax: **(402) 496-8670**

Status:	Subsidiary
Parent	Peter Kiewit Sons'
Employees:	200
Revenue:	$55,000,000 *
Fiscal Year End:	12/31/94

* INPUT estimate

Key Points

- PKS Information Services has experienced significant growth in revenue and employees since its inception in late 1988.
- During 1994, revenue increase approximately 60% over 1993 levels and the company added approximately five new outsourcing clients.
- Revenue from noncaptive sources now represents approximately 95% of total revenue.

Company Description

PKS Information Services, Inc. (PKS) provides systems operations processing and professional services to a range of commercial clients and to its parent..

- PKS' parent, Peter Kiewit Sons', is a $5 billion holding company headquartered in Omaha (NE) with operations in construction, mining and timber. Peter Kiewit has designed data centers for First Data Resources and U S WEST.
- PKS was formed in late 1988 to consolidate the data center operations of Peter Kiewit's Continental Can business. PKS President, Raul Pupo, was formerly with Genix.
- PKS has also been marketing its services to other clients for about three years. The company currently has approximately 25 outside clients, up from about 20 a year ago.

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Company Strategy

The company's strategy is to provide quality services by developing a partnership with its customers and sharing the responsibility of satisfying their business objectives.

PKS views its business as remote computing. Its objective is to have all its clients' processing running in PKS' Omaha data center.

Financials

INPUT estimates PKS Information Services' 1994 revenue reached approximately $55 million, up 60% from a year ago.

Approximately 95% of revenue is derived from noncaptive sources and 5% from services provided to PKS' parent, Peter Kiewit Sons'.

Source of Revenue by Product/Service

Approximately 85% of 1994 revenue was derived from systems operations (outsourcing) services and 15% from professional services consulting and systems development.

Market Financials

Although PKS Information Services has no overt industry focus, most of its clients are in the manufacturing industry.

Clients are generally larger organizations. More than 40% of clients are Fortune 500 companies and 20% are large subsidiaries of foreign-owned companies.

Geographic Markets

One hundred percent of revenue is derived from companies operating in North America.

Approximately seven or eight clients are subsidiaries or operating units of companies that are headquartered outside the U.S.

Employees

PKS Information Services currently has approximately 200 employees, up from about 160 employees a year ago.

Key Products and Services

PKS specializes in the systems operations segment of the outsourcing market, providing processing and associated support services to clients under long-term contracts.

- Systems operations contracts generally range from terms of three to ten years in length.
- PKS believes its pricing is very competitive compared to the bigger systems operations vendors.

PKS' services include the following:

- *Computer Operations Management*—Includes all services necessary to plan, schedule, operate, and control the information processing environment according to customers' time-driven and/or event-driven business activities. These services include job scheduling/processing, output handling and distribution, equipment acquisition and maintenance and change notification to alert users of any changes to their information processing environment.
- *Data Security, Backup and Recovery*—These services are a standard part of PKS' systems operations services to protect the customer's information against unlawful, unauthorized, or improper modification, destruction, or disclosure. PKS also ensures that the customer's data is backed up according to its business requirements.
- *Technical Services*—Includes the systems software programming functions necessary to support and maintain the customer's operating system environment. Specific services include the installation and/or maintenance of the operating system and related systems software products to be compliant with new software releases and

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changes in the customer's business operations. Capacity planning and performance measurement analyses to tune the processing environment and meet the service-level expectations of the customer are provided.

- *Help Desk Services*—Includes telephone support 24 hours a day, 365 days a year by senior systems technicians.

- *Telecommunications Services*—PKS provides network engineering, provisioning and management of the dedicated data communications circuits and other related hardware.

 - Customers may also receive electronic mail and voice mail services on an as-needed basis.

 - Two long-distance gateways, located separately in Omaha, provide 100% redundancy.

 - PKS also offers voice telecommunications at significant savings. Distribution of service billing and cost information, ongoing management of service levels, and recommendations to improve price/performance are also provided.

- *Professional Services*—PKS staff is responsible for ensuring successful migration of customers' computer operations to PKS' Omaha facility. Staff is also available to provide certain applications software development and support services, including software conversions, ongoing adaptive and corrective maintenance of existing application systems, and systems integration.

PKS Data Center

PKS has one, 50,000 square foot data center located in Omaha (NE). The company is in the process of doubling the square footage, with the entire 100,000 square foot data center to become operational by Spring 1995.

- The data center has IBM-compatible mainframes and DEC computers installed.

- The center was designed to ensure non-stop operations for its customers and take advantage of scale economies in hardware, software and overhead.

- Customer networks are configured to facilitate both low-cost incremental growth and maximum uptime. In managing the network, both low- and high-speed data rates are monitored to detect potential service-level problems.

Clients

PKS Information Services currently has approximately 25 clients.

Clients include:

- BASF, (NJ)
- Bradford Exchange, Niles (IL)
- Kaiser Aluminum, Seattle (WA)
- Minolta, (NJ)
- Precision Cast Parts-Airfoil, Portland (OR)

Marketing and Sales

PKS Information Services sells its services through a direct sales force.

Competitors

Major competitors include Electronic Data Systems, IBM ISSC and Computer Sciences Corporation.

Parent Company

Peter Kiewit Sons', Inc.
One Thousand Kiewit Plaza
Omaha, NE 68131
Phone: (402) 342-2052

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COMPANY BRIEF

Cross Industry: Planning and Analysis

Planning Control International
4400 MacArthur Boulevard
Suite 800
Newport Beach, CA 92660
(714) 476-1020

CEO: Michael Sippie, President
Private Company
Founded: 1983

Employees: 50 (11/86)
Revenue (FYE 12/31/86): $4,000,000*

The Company: Planning Control International provides a project management software system used by the aerospace and other industries

Sources of Revenue:
- Application Software (100%)

Key Products:
- Application Software (Utilizes IBM mainframes and DEC VAX computers)
 - Easytrak is an integrated schedule, cost, resource project management system
 - Easytrak maintains unlimited projects and activities, networks, multiple calendars, interproject dependencies, global updates, tiered subnetworking, and multiple levels of WBS
 - Easytrak includes what if analysis, audit trail, cash flow analysis, performance measurement analysis, and tracking of actuals, budgets, estimates, variances, and earned value
 - Easytrak's interrogator performs searches throughout the network for maximized exception reporting. Colored screen displays and graphical output include GANTT, milestone, baseline, and SAMSO bar charts, curves, histograms, and network diagramming with windowing and zoning capabilities

Target Industries:
- Aerospace (includes Department of Defense) (80%)
- Other industries (20%)

Geographic Markets:
- U.S.
- Non-U.S.
- 100% direct sales through U.K. and U.S. offices

*INPUT estimate

November 1986

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PLANNING RESEARCH CORPORATION
1500 Planning Research Drive
McLean, VA 22102
(703) 556-1000

Wayne Shelton, President and CEO
Subsidiary of Black & Decker
Total Employees: 6,400
Total Revenue, Fiscal Year End
12/31/88: $483,600,000

The Company

Planning Research Corporation (PRC) was founded as a private company in 1954 to perform systems analyses and operations research for the Department of Defense. Beginning in 1964 as a public company, PRC began a rapid expansion and diversification program primarily through acquisition.

- PRC's information services activities are concentrated on providing professional services for the federal government. The company also provides systems operations (facilities management) and processing services to the federal government, processing services and turnkey systems to real estate multiple listing boards, turnkey systems to physician group practices, and customized integrated systems to public safety agencies and commercial clients.

- Current non-information services activities include engineering support services, scientific support, technical assistance, and operations and maintenance services, primarily to federal government clients.

PRC was acquired by Emhart Corporation in October 1986 for approximately $220 million. Emhart, which had approximately $2.8 billion in revenue for 1988, was acquired by Black & Decker Corp. in April 1989.

PRC's total 1988 revenue reached $483.6 million, an 11% increase over 1987 revenue of $436.5 million. A five-year revenue summary follows:

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PLANNING RESEARCH CORPORATION
FIVE-YEAR REVENUE SUMMARY
($ millions)

	FISCAL YEAR				
ITEM	12/88	12/87(a)	6/86	6/85	6/84
Revenue	$483.6	$436.5	$388.8	$282.1	$225.5
• Percent increase from previous year	11%	13%	38%	25%	3%

(a) PRC's fiscal year end changed to December 31 after its acquisition by Emhart Corporation.

PRC management attributes the company's growth in 1988 to increased sales volume from the Business Information Systems operation. PRC also noted large contracts for the Patent and Trademark Office and NASA Space Station as reasons for increased revenue from the Government Information Systems operation.

Key Products and Services

PRC is organized into three main operating groups as follows:

- The Government Information Systems group is oriented toward designing and integrating systems for the U.S. government. The group provides information and data management systems to government agencies. The group also provides hardware and software integration.
- The Business Information Systems group provides nationwide computer-based multiple listing services (MLS) for real estate brokers; computerized systems for physicians in group practices; and computer-aided dispatch systems for fire departments, courts, corrections departments, transit authorities, public utilities, and taxi companies.
- The Systems Services group is focused on professional and technical services in support of the engineering and information systems requirements of government agencies. This includes services to the aerospace community; environmental engineering for EPA and DoD programs; software support, facility management, systems engineering, operations research, and technical assistance; and PRC Computer Center services, which are available to government and commercial clients.

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Contracts awarded to PRC Government Information Systems include the following:

- Developing an automated patent system for the U.S. Patent and Trademark Office. This multiple-year contract was bid at $289 million.

- A contract to standardize all software written for NASA's Space Station. The contract was bid at $61 million.

PRC Business Information Systems' products include the following:

- STELLAR 2000 is an on-line real estate multiple listing service software package. The package maintains information on listings, clients, prospects, and broker activity. The package has report-writing facilities and provides for easy searching of listings. The package runs on DEC VAX and Hewlett-Packard 9000 Series computers.

- TaxStar is an on-line real estate property listing service. TaxStar maintains records of owner names and addresses, sales histories, appraisals, legal descriptions, property characteristics/features, and zoning codes. TaxStar is complete with report writing and searching capabilities.

- BoardStar is a turnkey package based on NCR Tower Series® computers that manages the operations of Boards of Realtors. A membership management module maintains records on all members and member offices. The system has accounting modules for accounts receivable, accounts payable, and general ledger functions. Boardstar also provides office tools, such as word processing, spreadsheets, and electronic mail.

- Medic Computer Systems, a subsidiary of PRC operating under PRC Business Information Systems, develops and markets turnkey information systems for medical group practices. The systems are designed to automate most medical office paper work, from billing and customer records management to insurance processing.

- PRC Public Management Services offers systems and services in the following areas: computer-aided dispatching systems; records management systems for police, crime, jail, fire, and court records; data communications and message-switching systems; and mobile data terminal systems.

Contracts awarded to PRC Systems Services include the following:

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- Technical support services for NASA's Langley Research Center. The contract was bid at $112 million.
- Technical enforcement services for the EPA's Western Region. The contract was bid at $ 116 million.
- Software development and life cycle support to GSA's National Capital Region.

Under PRC Systems Services is the PRC Computer Center, the main information services provider in this group.

- PRC Computer Center operates a 16,000 square-foot computer room that houses an array of IBM and IBM-compatible mainframe processors running VM and MVS. The PRC Computer Center offers timesharing, programming support, and data base management services to customers throughout the U.S.

Industry Markets

Approximately 70% of PRC's 1988 revenue was derived from contracts with the U.S. government. The remaining 30% of revenue was derived from real estate multiple listing services, group medical practices, state and local governments, and foreign governments.

Geographic Markets

Approximately 95% of PRC's revenue is derived from the U.S.

PRC operates offices and project sites in 33 states and eight countries including Japan, Korea, Canada, and several European countries.

Computer Hardware and Software

PRC's Computer Center operates an array of IBM and IBM compatible mainframe processors under VM and MVS. PRC also maintains the following peripherals at its Computer Center:

- 60 disk drives ranging from 3380s to 3350s.
- 21 tape drives.
- 3 impact line printers.
- Xerox 8700 laser printers.

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PLANNING RESEARCH CORPORATION
1500 Planning Research Drive
McLean, VA 22102
(703) 556-1000

John M. Toups, Chairman and CEO
Wayne Shelton, President and COO
Wholly Owned Subsidiary of Emhart Corporation
Total Employees: 5,900
Total Revenue, Fiscal Year End 6/30/86: $388,815,000
Computer Services Revenue: $265 Million*

THE COMPANY

- Planning Research Corporation (PRC) was founded as a private company in 1954 to perform systems analyses and operations research for the Department of Defense. Beginning in 1964 as a public company, PRC began a rapid expansion and diversification program primarily through acquisition. PRC's computer services activities are concentrated on providing professional services primarily for the federal government. The company also provides facilities management and processing services to the federal government, processing services and turnkey systems to real estate multiple listing boards, turnkey systems to physician group practices, and customized integrated systems to public safety agencies and commercial clients. Current noncomputer services activities include systems engineering, scientific support, technical assistance, and operations and maintenance services primarily to federal government clients.

- In October 1986 it was announced that Emhart Corporation agreed to acquire PRC for approximately $210 million, or $31.50 a share.

 - PRC also granted Emhart an option to purchase as many as three million authorized but unissued common shares at $31.50 a share.

 - Emhart, a maker of machinery, electronic parts, and fastners, is in the midst of a restructuring program and has previously announced its plans to make technology-oriented acquisitions.

 - Both boards approved the transaction and the acquisition was completed on December 2, 1986.

 - PRC now operates as a separate unit of Emhart with its current management.

- Effective June 30, 1986, PRC adopted a plan to divest most of its operations of its PRC Engineering group. The divestiture is expected to be concluded during fiscal 1987.

*INPUT estimate

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- PRC Engineering provides services in engineering, design, construction inspection and supervision, and economics and planning to government and commercial clients worldwide.

- PRC Engineering posted net losses of $1.5 million in fiscal 1986 and $4.6 million in fiscal 1985, compared to net income of $1.2 million in fiscal 1984.

- PRC has reported its PRC Engineering group's results as discontinued operations in fiscal 1986 and prior years' financials have been restated to show results from continuing operations.

 . This decision resulted in a charge of $11.9 million, net of income tax benefits of $996,000, against fourth quarter results for fiscal 1986.

 . Revenue from these discontinued operations was approximately $84 million, $90.3 million, and $95.2 million for fiscal 1986, 1985, and 1984, respectively.

- The company's hazardous waste consulting business (PRC Environmental Management, Inc.), previously included with PRC Engineering, is expected to be retained. This business' results are now included under the heading of "Other" in the segmented results.

- This divestiture plan has not been affected by the subsequent announcement of the acquisition of PRC by Emhart.

- Revenue from continuing operations for fiscal 1986 was $388.8 million, a 38% increase over fiscal 1985 revenue of $282.1 million. Net losses in fiscal 1986, which include the charge of $11.9 million as a result of the plan to divest the PRC Engineering group, were $3.5 million, compared to net income of $6 million in fiscal 1985. A five-year financial summary follows:

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PRC
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	6/86	6/85	6/84	6/83	6/82
Revenue from continuing operations	$388,815	$282,088	$225,524	$219,021	$217,118
. Percent increase from previous year	38%	25%	3%	1%	N/A
Income from continuing operations before taxes	$ 18,960	$ 19,736	$ 19,643	$ 10,344	$ 6,846
. Percent increase (decrease) from previous year	(4%)	-	90%	51%	N/A
Income from continuing operations after taxes	$ 9,906	$ 10,622	$ 10,185	$ 5,485	$ 3,574
. Percent increase (decrease) from previous year	(7%)	4%	86%	53%	N/A
Income (loss) from discontinued operations	$ (13,362)	$ (4,616)	$ 1,241	$ 3,624	$ 3,496
Net income (loss)	$ (3,456)	$ 6,006	$ 11,426	$ 9,109	$ 7,070
. Percent increase (decrease) from previous year	(158%)	(47%)	25%	29%	*
Earnings per share from continuing operations	$ 1.49	$ 1.63	$ 1.44	$ 0.78	$ 0.53
. Percent increase (decrease) from previous year	(9%)	13%	85%	47%	N/A
Net earnings (loss) per share	$ (0.52)	$ 0.92	$ 1.62	$ 1.30	$ 1.04
. Percent increase (decrease) from previous year	(157%)	(43%)	25%	25%	*

*Percent increase exceeds 1,000%

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- PRC reports revenue from continuing operations in three major groups as follows:

 - PRC Government Information Systems provides computer systems development, integration, and support for military agencies; systems integration, facilities management, and processing services to federal, state, and local government agencies; systems engineering and technical assistance, independent verification and validation, and litigation support services primarily to government clients; and systems integration services to public safety agencies and commercial clients.

 - PRC Business Information Systems provides processing and related services and turnkey systems to the real estate brokerage industry and turnkey systems to physician group practices.

 - PRC Systems Services primarily provides noncomputer services in the area of systems engineering, scientific support services, technical assistance, training, and operations and maintenance services, primarily to U.S. government clients. Through its System Engineering and Analysis Division (SEAD), this group provides systems development professional services. Through PRC Kentron, this group also provides computer services-related data management and information systems engineering services primarily to U.S. military clients.

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- A three-year financial summary by operating group follows:

PRC
THREE-YEAR FINANCIAL SUMMARY
($ thousands)

ITEM \ FISCAL YEAR	6/86	6/85	6/84
- PRC Government Information Systems			
. Revenue	$ 181,479	$ 147,573	$ 122,725
. Operating income	$ 15,991	$ 15,626	$ 12,571
- PRC Business Information Systems			
. Revenue	$ 66,984	$ 55,739	$ 49,412
. Operating income	$ 4,779	$ 8,027	$ 8,537
- PRC Systems Services			
. Revenue	$ 130,179	$ 80,952	$ 55,296
. Operating income	$ 7,991	$ 4,596	$ 4,871
- Other (a)			
. Revenue	$ 14,824	$ 240	$ 140
. Operating income	$ 489	-	$ 85
- Intersegment Sales	$ (4,651)	$ (2,416)	$ (2,049)
- Total Revenue	$ 388,815	$ 282,088	$ 225,524

(a) Includes the results of the hazardous waste consulting group that was formerly part of PRC Engineering.

- Fiscal 1986 results include a full year of results for two acquisitions: Medic Computer Systems, acquired in February 1985, which is included with PRC Business Information Systems group; and Kentron International, acquired in March 1985, which is included with PRC Systems Services group.

 - Fiscal 1985 financials only include results for these companies from the dates of acquisition to June 30, 1985 and $8 million in revenue related to the operations of noncomputer services-related businesses which were sold in June 1985.

 - After adjusting financials for the effects of these acquisitions and dispositions, total fiscal 1986 revenue increased 20% and operating income declined 17% (as adjusted).

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- PRC Government Information Systems revenue increased 23% primarily as a result of new work performed for the General Services Administration (GSA) in the area of computer support services and expanded sales of records management and computer-assisted dispatch systems to public agencies. PRC income from this group rose only 2% principally as a result of reduced recovery of bid and proposal costs allocatable to government contracts, provisions for additional reserves for the potential disallowance of costs incurred in prior years on government contracts, and start-up expenses related to new work performed for GSA.

- PRC Business Information Systems revenue (as adjusted) increased 5% primarily from increased sales of its published products to the real estate brokerage industry. Operating income fell 54% (as adjusted) principally as a result of increased spending on new and ongoing product development activities in the Realty Systems unit and declining gross margins from this unit's multiple listing service.

- PRC Systems Services revenue (as adjusted) declined 3% due to a continued decline in work for NASA.

- PRC's current organizational structure is shown in Exhibit A.

- Revenue from continuing operations for the three months ending September 30, 1986 reached $96.7 million, compared to $84.1 million for the same period in 1985. Net income was $2.8 million, compared to $2.1 million for the same quarter a year ago.

- As of June 30, 1986, PRC has approximately 5,900 employees. As of November 30, 1986 the company had 6,162 employees, segmented as follows:

PRC Government Information Systems	2,496
PRC Business Information Systems	790
PRC Systems Services	2,565
Other (Corporate Center)	311
	6,162

- Major computer services competitors by business segment include the following:

 - PRC Government Information Systems: Computer Sciences Corporation, Unisys (System Development Corporation), Electronic Data Systems (General Motors), Computer Data Systems, Science Applications International, and BDM International.

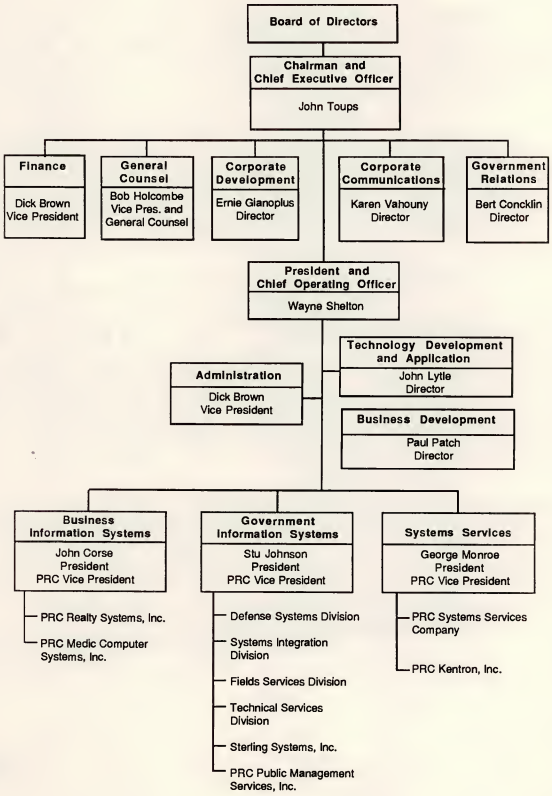
 - PRC Business Information Systems Services:

 . PRC Realty Systems: Moore Data Systems and Realtron/Multilist Corporation.

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EXHIBIT A

PRC ORGANIZATION CHART



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- . PRC Medic Computer Systems: Cycare Systems, McDonnell Douglas Physician Services, Interpretive Data Systems, Control Data Corporation, plus many smaller regional firms.

- PRC Systems Services: BDM International.

KEY PRODUCTS AND SERVICES

- PRC's fiscal 1986 computer services revenue is estimated at $265 million and is segmented as follows ($ millions):

	Revenue	Percent of Total
Professional Services		
. PRC Government Information Systems	$181	68%
. PRC Systems Services (a)	17	7
Processing Services		
. PRC Realty Systems	56	21
Turnkey Systems		
. PRC Medic Computer Systems	11	4
	$265	100%

(a) INPUT estimate. Includes only computer services-related revenue.

- PRC Government Information Systems, which has its headquarters in McLean (VA), provides computer-related services to government clients, primarily the federal government. While this group performs significant nondefense work, a substantial portion of its contracts is defense-related. During fiscal 1986, 50% of the group's revenue was defense-related, compared with 52% in fiscal 1985, and 58% in fiscal 1984. The group's revenue thus depends to a significant extent on the level of federal government spending for professional services, particularly in the defense area.

 - The Defense Systems Division (DSD) of PRC Government Information Systems provides computer systems development, integration and support for military agencies of the federal government, primarily in the area of military command, control, communications, and intelligence (C^3I).

 - During fiscal 1986, the division performed C^3I computer software work for the U.S. Army, Navy, and Air Force, as well as for other agencies that serve national security functions. DSD in the past has participated in all phases of the "life cycle" of these C^3 computer software systems, from concept analysis, through design, development, systems integration, and, finally, to maintenance.

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. Under contracts with the Air Force, the division has developed and integrated computer systems for handling and processing intelligence for the Strategic Air Command, the Pacific Air Command's Korean Air Intelligence system and the Central Command's deployable intelligence support system. DSD has also provided system development support in the command, control, and communication area to the Joint Interoperability of Tactical Command and Control Systems (JINTACCS) program and the U.S. Army's European Command headquarters.

. During fiscal 1986, DSD continued work on contracts for the Strategic Air Command's Intelligence System Upgrade, the Defense Intelligence Agency's Advanced Imagery Requirements and Exploration System (AIRES), and the U.S. Army Europe's Command and Control Information System.

. During fiscal 1986, DSD was awarded a systems integration contract to design and develop a comprehensive "in-garrison and transportable" intelligence data handling system for the U.S. Army--Europe. The system, which has been labeled the RAPID/E system (Relocatable Army Processors for Intelligence Data--Europe), is being designed to receive intelligence reports and data from external communications networks, and to distribute these reports and data to intelligence analysts according to security classification level and area of interest. As the system integrator for this project, the division is responsible for the system design, development of system interfacing and application software, system integration and installation, documentation, training, testing, and security qualification for the RAPID/E system.

- The System Integration Division (SID) of the PRC Government Information Systems group provides systems integration services to agencies of the federal government as well as to state and local governments and other clients. SID has the capability to design and provide to its client complete integrated computer systems, consisting of hardware, software, installation and training, all tailored to meet the client's specific requirements.

. SID's largest contract is with the U.S. Commerce Department's Patent and Trademark Office (PTO). The PTO contract, which was awarded to the company in April 1984, has an estimated value of over $289 million over 18 years. The PTO contract has yielded revenues for PRC of $20.8 million and $16.4 million, respectively, in fiscal 1986 and 1985, and is expected to generate approximately $30 million per year in revenues during fiscal 1987 and 1988.

- Under the PTO contract, the PRC Government Information Systems group is directing the integration and instal-

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lation of an Automated Patent System to assist with the PTO's processing of patent applications and with the storage and retrieval of patent records.

- The first phase of the Automated Patent System, involving the capability to search the text of patents issued since 1974, was installed and successfully demonstrated in July 1986. The system's second phase, which involves enhanced text searching and the capability to search images or drawings in a test group of patents, was successfully demonstrated in October 1986, providing the foundation for further system development efforts.

- The General Accounting Office (GAO) issued a report in July 1986 which was critical of the Automated Patent System project. The report focused on alleged cost overruns and schedule slippages in the program. The GAO report has caused the Automated Patent System program to receive a certain amount of critical attention from some members of Congress. The company is hopeful that the second phase installation, which began in October 1986, will effectively counteract the points raised by the GAO in its report.

- SID is also performing system integration work under a contract with the U.S. Army which was first awarded to the company in fiscal 1984. Under this contract, the division is developing and integrating a worldwide office automated management information reporting system for the Army's Inspector General. When completed, it is expected that the system will connect 120 offices of the U.S. Army Inspector General Corps around the world. The total contract has an estimated value of over $30 million over eight years, a period which includes one base year and seven option years, each exercisable at the discretion of the Army.

- During fiscal 1986, the division continued work on a machine-readable passport production system for the U.S. State Department. In addition, SID continued work during the year for the U.S. Customs Service on a passport-reader system designed to check the validity of passports on an automated basis at U.S. ports of entry. This passport-reader system has been installed and tested at several large international airports in the U.S.

- SID also continued during fiscal 1986 to work on a contract with the Food and Nutrition Service of the U.S. Department of Agriculture (USDA), involving the development and integration of an automated system designed to eliminate coupons and reduce paperwork in the food stamp program. During the year, SID continued to conduct a demonstration test in Reading (PA)

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for the electronic food stamp transfer system that it had developed. Although the Reading demonstration test was originally scheduled to end in fiscal 1986, the USDA has extended the test contract at the request of the Pennsylvania Welfare Department, which recommended the extension because of the favorable response that the system has received from participants in Reading. The company is hopeful that the technology demonstrated for the food stamp program will also have applications in the welfare and Medicare/Medicaid benefit areas.

- In September 1986 PRC was awarded a $20 million five-year contract by the U.S. Department of State to provide computer systems integration support for the Foreign Affairs Information System (FAIS). PRC is to assist in unifying office automation, data processing, and telecommunications systems.

- The Field Services Division (FSD) of the PRC Government Information Systems group provides computer facilities management and data processing services to federal, state, and local government agencies.

 - During fiscal 1986, FSD provided these services to such clients as the National Aeronautics and Space Administration (NASA), Pension Benefit Guaranty Corporation, and the Executive Office of the President. The division also managed and operated the data processing facilities of Prince George's County (MD) and the City of Grand Rapids (MI).

 - In June 1985, PRC Government Information Systems was awarded a contract with the GSA to provide data processing and computer support services to various federal government agencies in the National Capital Region. Under the contract, FSD is developing business and scientific systems and provides computer programming services to federal departments and agencies in the National Capital Region which have user agreements with GSA. The estimated revenue value of this contract (which has a base year and three option years each exercisable by GSA in its discretion) is expected to be more than $50 million, assuming that the contract runs for the full four years.

 - In August 1985, the division also was awarded a similar contract by GSA for GSA Region 9, which is one of the largest of the 11 GSA regions and consists of California, Arizona, Hawaii, and Nevada. The GSA Region 9 contract has an estimated value of more than $86 million over four years and provides for a base year and three option years.

 - The PRC Computer Center operated by FSD is a computer service bureau that provides on-line and batch processing

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computer time, and programming and data base management services for both government and commercial clients. It also provides remote computing services for customers using IBM-compatible hardware and software. PRC's Computer Center provides these services to customers that require computerized membership recordkeeping and mailings, decision support system development, and telephone service management.

- The group's Technical Services Division (TSD) was created after parts of the group's former Information Technology Division were absorbed into other divisions in an intra-group realignment which took place during fiscal 1986. TSD provides program support, computer software development, and computer system "life cycle" support to both civil and military agencies of the federal government.

- After the company acquired Sterling Systems Incorporated in June 1983, Sterling was made part of the PRC Government Information Systems group. Sterling provides services primarily to government clients in the areas of systems engineering and technical assistance (SE/TA), independent verification and validation (IV&V), and litigation support.

 . During fiscal 1986, Sterling's SE/TA work was conducted primarily under task order contracts. The division's work in the IV&V area has largely been to serve as an independent evaluator for federal government clients--that is, to evaluate the contractual performance of another contractor in order to ascertain whether that contractor's performance met the government's requirements.

 . In the past, Sterling has performed work for such clients as the U.S. Army, Navy, and Air Force, the Departments of Justice, Energy, Transportation, Interior and Education, and GSA.

 . During fiscal 1986, Sterling's work for GSA included the development of computer-supported management tools and the redesign of software to assist GSA in managing the federal telecommunications system.

- PRC Public Management Services (PMS) division is a systems integrator serving public safety agencies and commercial clients, primarily in the U.S. and Canada. PMS provides computerized command and control systems, computer-assisted dispatch systems, and high-speed data communications systems to its clients.

 . The division's potential clients for command and control systems include operators of police, fire, ambulance, bus, and taxi fleets.

 . PMS also provides automated message-handling systems, which provide the client with high-speed, high-volume transfers of data on both a point-to-point and a multi-point basis.

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- In fiscal 1986, the division continued work on a systems integration contract to design, procure, and install a computer-aided revenue collection system for the Illinois State Toll Highway Authority.

- During the year, PMS continued work on a computer-assisted dispatching and mobile data communications system for the Fairfax County (VA) police, fire, and emergency medical services.

- PMS is also designing an advanced data communications system for the Los Angeles County Sheriff's Office.

- In November 1986 PRC announced that its PRC Government Information Systems group was awarded a one-year contract (with four additional option years) by the Environmental Protection Agency (EPA). The contract has a potential value of $116 million.

 - PRC will provide applications systems development and general programming support services for the EPA nationwide.

 - Work includes software development for the administration of several national environmental programs, including Superfund.

 - PRC has been providing services for the EPA since 1983, working with the agency's minicomputers and microcomputers.

- A summary of selected fiscal 1985 and 1986 PRC Government Information Systems' contract wins is shown in Exhibit B.

- The PRC Business Information Systems group, headquartered in McLean (VA), is composed of the following divisions: PRC Realty Systems, Inc. and PRC Medic Computer Systems, Inc. PRC LoanExpress, Inc., formerly a separate division within the group, was merged into and made a part of PRC Realty Systems, Inc. at the end of December 1985.

 - PRC Realty Systems division serves the real estate brokerage industry with computer-based multiple listing services (MLS) and related systems. MLS systems provide subscribing real estate brokers with on-line access to current property listings and with related services. PRC Realty Systems also publishes computer-generated photo-listing books for use by real estate agents. PRC Realty Systems had revenue for fiscal 1986, 1985, and 1984 of approximately $55.8 million, $52.9 million, and $49.3 million, respectively.

 - PRC Realty Systems markets its on-line systems and services and its listing books directly to local "multiple listing services" (which commonly are operated by local Boards of Realtors or by regional groupings of such boards), and subsequently to individual broker-subscribers.

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EXHIBIT B

PRC GOVERNMENT INFORMATION SYSTEMS
SELECTED 1985-1986 CONTRACT WINS

CLIENT	DOLLAR VALUE	CONTRACT TERMS	SCOPE OF WORK
General Services Administration	*$86 Million	One-Year with 3 One-Year Options	Provide Computer Support Services to Government Agencies in Four Western States
General Services Administration	*$52.2 Million	One-Year with 3 One-Year Options	Provide Computer Support Services to Government Agencies in Washington, D. C. Area
State Department	$20 Million	Five-Year	Provide Systems Engineering and Technical Assistance for Various Automation Projects
National Oceanic and Atmospheric Administration	*$17.7 Million	One-Year with 3 One-Year Options	Provide Support for Operating and Maintaining One Segment of the Geostationary Operational Environment Satellite System
U.S. Customs Service	*$14.8 Million	9-Month with Additional Options (Total of Five Years)	Develop Modern Computer System to Support Law Enforcement Activities of Customs, Treasury and Other Agencies
Navy	$14.5 Million	Three-Year	Maintain and Enhance the Naval Intelligence Processing System (NIPS)
State of Pennsylvania	$12 Million	Five-Year	Automate Issuance of Food Stamp Authorization to Participate (ATP) Card
U.S. Army Europe	*$11.5 Million	18-Month with Additional Options	Develop an In-Garrison and Transportable Intelligence Data Handling System
Strategic Air Command	$9.3 Million	18-Month	Enhance SAC's On-Line Analysts Retrieval System
Defense Intelligence Agency	$8.4 Million	Two-Year with Options	Maintain and Enhance Intelligence System - Advanced Imagery Requirements Exploitation System
Strategic Air Command	$7.5 Million	Three-Year	Design, Test and Implement Modern SAC Indications and Warning System
Environmental Protection Agency	*$116 Million	One-Year with 4 One-Year Options	Provide Applications Software Development and Programming Services

*Dollar amount includes options.

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- The company has traditionally delivered these systems and services in a full-service mode, under which the division provides services to the client using PRC-owned and PRC-maintained computer hardware and terminal equipment. PRC Realty Systems has begun making these systems and services available on both a turnkey and a facilities management basis as well, under which the client owns the computer hardware and equipment. The turnkey systems are based on DEC VAX series computers.

- PRC Realty Systems currently provides multiple listing services to 125 real estate boards and serves nine of the nation's 10 largest Boards of Realtors. Some of the group's larger contracts are with multiple listing services serving Boards of Realtors in Albuquerque, Atlanta, Buffalo, Dallas, Honolulu, Houston, Indianapolis, Las Vegas, Miami, Oakland, Phoenix, Rochester, St. Louis, St. Paul, Syracuse, Northern Virginia, and Washington, D.C.

- During the past two fiscal years, PRC Realty Systems has, because of competitive forces, made considerable investments in its products and services. These expenditures were approximately $4.6 million and $1.2 million in fiscal 1986 and 1985, respectively.

- New products introduced in fiscal 1987 include:

 - Stellar 2000™, a multiple listing service system based on DEC VAX series computers.

 - TaxStar, an on-line public records access system based on the DEC VAX series of computers.

 - BoardStar, a Board of Realtors membership and accounting automation system based on the NCR Tower series of computers.

- Following the merger of PRC LoanExpress, Inc. into PRC Realty Systems, Inc. during fiscal 1986, the company's LoanExpress mortgage loan information system product was converted from a full-service to an NCR Tower-based turnkey system product for sale to MLS organizations.

- The PRC Medic Computer Systems (Medic) division, which is based in Raleigh (NC), provides Texas Instruments-based turnkey practice management information systems to physicians in group practice. Sales by this division were $11 million in fiscal 1986, compared to $7 million in fiscal 1985.

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- More than 150 new systems were installed during fiscal 1986. Medic currently serves over 500 group practices.

- The division has developed a version of its software that operates on the IBM PC/AT microcomputer.

- Computer services-related activities performed through PRC Systems Services include the following:

 - In its SEAD division, PRC Systems Services continued work in fiscal 1986 on a contract to develop and enhance a computer-based labor management system for the U.S. Navy, involving the concept of "engineered time values." In August 1986, the SEAD division received award of a new contract from the Navy to continue this work.

 - Also during fiscal 1986, SEAD worked on development of a computerized authoring system to be used in the preparation of training curricula. SEAD hopes to be able to market this system to various Department of Defense customers.

 - PRC Kentron's Technical Services Division provides engineering services to the U.S. Army's information systems engineering activity at Fort Huachuca (AZ). These services include evaluating the Army's worldwide telecommunications systems and designing and providing specifications for the upgrade of such systems or for new systems. The division provides similar telecommunications engineering and support services to the U.S. Army at Fort Ritchie (MD).

 - The Technical Services Division's largest contract is its Range Engineering and Data Acquisition Contract with the U.S. Army for the Kwajalein Missile Test Range located in the Marshall Islands in the Pacific Ocean. Under this contract, PRC Kentron provides planning, engineering, installation, and operation and maintenance support for all phases of the Kwajalein Missile Test Range's operation. The Technical Services Division provides these services in connection with most of the technical systems at the range including telemetry, communication, range safety, precision radar and optics tracking, photographic processing, data acquisition, data reduction and analysis, computer graphics, closed-circuit television, and meteorological systems.

 - The Technical Services Division of PRC Kentron continued in fiscal 1986 to perform work on a contract with the U.S. Army to provide scientific and technical assistance to the Army's Combat Developments Experimentation Center (CDEC) at Fort Ord and Fort Hunter-Liggett near Monterey (CA). The division operates as an integral part of CDEC to provide scientific and technical services related to test concepts and planning, data management and reporting, instrumentation design and development, weapons simulation, real-time casualty assessment, and instrumentation maintenance and installation. PRC Kentron rewon its CDEC contract in a competition held in fiscal 1986, with the new contract being for one year with four one-year options.

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INDUSTRY MARKETS

- U.S. federal government contracts and subcontracts accounted for approximately 74% of PRC's total revenue from continuing operations during fiscal 1986, compared with 73% during fiscal 1985, and 72% during fiscal 1984. A three-year summary of source of revenue from continuing operations follows:

	6/86	6/85	6/84
U.S. Federal Government			
- Military	40%	40%	38%
- Non-military	34	33	34
U.S. State and Local Governments	5	4	4
Commercial and Non-U.S. Governments	21	23	24
	100%	100%	100%

- During fiscal 1986, 11% of total revenue was derived from NASA and 10% from the U.S. Navy.

- Fourteen percent of total fiscal 1986 revenue was derived from real estate multiple listing boards.

GEOGRAPHIC MARKETS

- Approximately 98% of PRC's fiscal 1986 revenue was derived from the U.S. and 2% from international sources.

- PRC operates approximately 98 offices in 31 states and the District of Columbia and one office in Canada. Additionally, PRC is furnished office space at approximately 78 sites by U.S. federal, state, and local governments, foreign governments, and other clients.

COMPUTER HARDWARE AND SOFTWARE

- The PRC Computer Center in McLean (VA) has the following computers installed:

 - 1 NAS AS/7000, CMS, VM.
 - 1 NAS AS/8023, MVS.
 - 1 DEC VAX-11/750, VMS.
 - 1 DEC VAX-11/780, VMS.

- PRC Realty Systems has multiple computer sites for its real estate services. HP 1000 series computers are used.

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FINANCIAL UPDATE TO PROFILE DATED APRIL 1984*

PLANNING RESEARCH CORPORATION
1500 Planning Research Drive
McLean, VA 22102
(703) 556-1000

John M. Toups, Chairman and CEO
Wayne Shelton, President and COO
Public Corporation, NYSE
Total Employees: 7,000
Total Revenue, Fiscal Year End 6/30/85: $372,363,000
Computer Services Revenue: $203,312,000

PLANNING RESEARCH CORPORATION
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

FISCAL YEAR / ITEM	6/85	6/84	6/83	6/82	6/81
Revenue (a)	$ 372,363	$ 320,722	$ 319,503	$ 323,698	$ 313,879
. Percent increase (decrease) from previous year	16%	-	(1%)	3%	12%
Income (loss) before taxes and minority interest	$ 11,576	$ 20,886	$ 18,225	$ 14,527	$ (489)
. Percent increase (decrease) from previous year	(45%)	15%	25%	*	(105%)
Net income (loss)	$ 6,006	$ 11,426	$ 9,109	$ 7,070	$ (1,392)
. Percent increase (decrease) from previous year	(47%)	25%	29%	608%	(125%)
Net earnings (loss) per share	$ 0.92	$ 1.62	$ 1.30	$ 1.04	$ (0.20)
. Percent increase (decrease) from previous year	(43%)	25%	25%	620%	(125%)

* Percent change exceeds 1,000%

(a) Restated to include equity in earnings of nonconsolidated affiliates and joint ventures.

*Replaces Financial Update of November 1984

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- PRC management attributes the increase in fiscal 1985 revenue to recent acquisitions and strong growth in the Government Information Systems operations. The decline in income and earnings is primarily attributable to the $9 million decline in operating income of PRC Engineering, which posted an operating loss of $5.4 million, down 233% from an operating income of $4 million in fiscal 1984.

- During fiscal 1985 PRC completed the following two acquisitions:

 - In February 1985 PRC acquired Medic Computer Systems for $3.9 million in cash and notes. Additional amounts may be paid dependent upon future performance. Medic develops and markets turnkey systems for physicians and group practices and had sales of approximately $7 million at the time of acquisition. Medic operates as part of PRC Business Information Systems (formerly PRC Realty Systems). The results of Medic are included in this operating group from date of acquisition.

 - In March 1985 Kentron International, Inc. was acquired for approximately $26.3 million. Kentron had about 2,000 employees and approximately $87 million in annual revenue. Kentron provides technical, support, and management services in the areas of telecommunications, aerospace, and test range systems. Called PRC Kentron, it operates as a wholly owned subsidiary as part of PRC Systems Services. The acquisition was accounted for as a purchase and the operating results are included in PRC Systems Services from date of acquisition.

- Revenue for the first quarter of fiscal 1986 ending September 1985 reached $104.8 million, a 34% increase over $78.2 million for the first quarter of fiscal 1985. Net income increased 229% to $2.1 million from $650,000 for the same quarter the previous year.

SOURCE OF REVENUE

- Fifty-five percent of PRC's fiscal 1985 revenue was derived from computer services (73% professional services and 27% processing services). The remaining 45% was derived from noncomputer systems and engineering services.

- Computer services revenue for fiscal 1985 increased 18% to $203.3 million from $172.1 million in 1984. Operating income was $23.6 million, a 45% increase over $21.1 million the previous year. A three-year summary by operating group follows:

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PLANNING RESEARCH CORPORATION
THREE-YEAR REVENUE AND OPERATING INCOME SUMMARY
($ millions)

ITEM / FISCAL YEAR	6/85	6/84	6/83
• PRC Government Information Systems			
- Revenue	$ 147.6	$ 122.7	$ 116.2
- Operating Income	15.6	12.6	9.5
• PRC Business Information Systems			
- Revenue	55.7	49.4	42.4
- Operating Income	8.0	8.5	5.0
Total Computer Services			
- Revenue	$ 203.3	$ 172.1	$ 158.6
- Operating Income	23.6	21.1	14.5
• PRC Systems Services			
- Revenue	$ 81.0	$ 55.3	$ 61.2
- Operating Income	4.6	4.9	3.9
• PRC Engineering			
- Revenue	90.3	95.2	100.5
- Operating Income	(5.4)	4.0	9.8
Total Noncomputer Services			
- Revenue	$ 171.3	$ 150.5	$ 161.7
- Operating Income	(0.8)	8.9	13.7
• Corporate			
- Other revenue net of intersegment sales	$ (2.2)	$ (1.9)	$ (0.8)
- Other adjustments, eliminations, and corporate expenses	(8.2)	(7.8)	(7.9)
Total			
- Revenue	$ 372.4	$ 320.7	$ 319.5
- Operating Income	14.7	22.2	20.3

- Sales to the U.S. federal government amounted to 57% of fiscal 1985 revenue, 11% was derived from sales to state and local governments, 10% from international sales, and the remaining 22% from commercial work.

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PLANNING RESEARCH CORPORATION
1500 Planning Research Drive
McLean, VA 22102
(703) 556-1000

John M. Toups, Chairman and President
Public Corporation, NYSE
Total Employees: 5,600
Total Revenue, Fiscal Year End
6/30/84: $320,722,000
Computer Services Revenue:
$172,137,000

PLANNING RESEARCH CORPORATION
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	6/84	6/83	6/82	6/81	6/80
Revenue (a)	$ 320,722	$ 319,503	$ 323,698	$ 313,879	$ 280,806
. Percent increase (decrease) from previous year	N/M	(1%)	3%	12%	7%
Income before taxes and extraordinary item (loss)	$ 20,886	$ 18,225	$ 14,527	$ (489)	$ 10,352
. Percent increase (decrease) from previous year	15%	25%	N/M	(105%)	11%
Net income (loss)	$ 11,426	$ 9,109	$ 7,070	$ (1,392)	$ 5,506
. Percent increase (decrease) from previous year	25%	29%	N/M	(125%)	11%
Net earnings (loss) per share	$ 1.62	$ 1.30	$ 1.04	$ (0.20)	$ 0.81
. Percent increase (decrease) from previous year	25%	25%	N/M	(125%)	13%

N/M: Not meaningful

(a) Restated to include equity in earnings of nonconsolidated affiliates and joint ventures.

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SOURCE OF REVENUE

- Fifty-three percent of the fiscal 1984 revenue for Planning Research Corporation (PRC) was derived from computer services (38% professional services and 15% processing services). The remaining 47% was derived from noncomputer systems and engineering services.

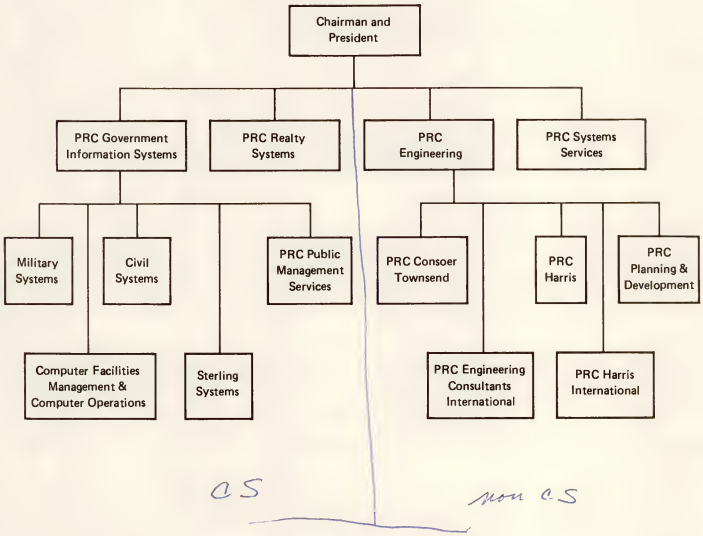
- Computer services revenue for fiscal 1984 was $172.1 million, an 8.5% increase over $158.6 million in fiscal 1983. Fiscal 1984 computer services operating income was $21.1 million, a 45.5% increase over $14.5 million for the previous year.

- During fiscal 1984 the operations of PRC Public Management Services, Inc. (PMS) were transferred from the Realty Systems group (formerly the Computer Systems group) and reported as part of the PRC Government Information Systems group. The organizational chart in the exhibit shows this change, and the summary of source of revenue and operating income figures have been reclassified to reflect the transfer. The three-year summary by operating group follows:

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EXHIBIT

PLANNING RESEARCH CORPORATION
ORGANIZATIONAL CHART



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PLANNING RESEARCH CORPORATION
THREE-YEAR REVENUE AND OPERATING INCOME SUMMARY
($ millions)

ITEM \ FISCAL YEAR	6/84	6/83	6/82
• PRC Government Information Systems			
- Revenue	$122.7	$116.2	$111.1
- Operating Income	12.6	9.5	9.5
• PRC Realty Systems			
- Revenue	49.4	42.4	42.2
- Operating Income	8.5	5.0	2.8
Total Computer Services			
- Revenue	$172.1	$158.6	$153.3
- Operating Income	21.1	14.5	12.3
• PRC Systems Services			
- Revenue	$55.3	$61.2	$63.8
- Operating Income	4.9	3.9	3.6
• PRC Engineering			
- Revenue	95.2	100.5	106.6
- Operating Income	4.0	9.8	9.9
Total Noncomputer Services			
- Revenue	$150.5	$161.7	$170.4
- Operating Income	8.9	13.7	13.5
• Corporate			
- Other revenue net of intersegment sales	$(1.9)	$(0.8)	$(0.0)
- Other adjustments, eliminations, and corporate expenses	(7.8)	(7.9)	(8.7)
Total			
- Revenue	$320.7	$319.5	$323.7
- Operating Income	22.2	20.3	17.1

- PRC Government Information Systems, the largest of the four operating groups, reported fiscal 1984 revenue of $122.7 million, an increase of 5.6% over fiscal 1983 revenue of $116.2 million. Operating income was up 33%, from $9.5 million to $12.6 million. Revenue was derived from professional services, primarily from systems integration contracts.

 - On April 12, 1984, the U.S. Commerce Department's Patent and Trademark Office (PTO) awarded PRC Government Information Systems the contract to develop and install a system to process patent applications and to store and retrieve patent records.

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- The contract is the largest one in the company's history and is valued at $289 million over 18 years and is expected to generate $16 to $30 million in revenue per year.

- PRC Realty Systems reported fiscal 1984 revenue of $49.4 million, up 17% from $42.4 million in fiscal 1983. Operating income was up 70% from $5.0 million to $8.5 million. Revenue was derived from processing services.

 - In the latter half of fiscal 1984, PRC Realty Systems introduced in the Washington, D.C. area a new service called Loan Express T.M., which provides on-line information about available home mortgage rates and terms, counseling for homebuyers, and processing of loan applications.

 - Also introduced in fiscal 1984 was AgentAccess T.M., a new service allowing agents who already subscribe to the on-line service to access the system with personal computers or terminals during off-peak hours.

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COMPANY HIGHLIGHT

PLANNING RESEARCH CORPORATION
1500 Planning Research Drive
McLean, VA 22102
(703) 556-1000

John M. Toups, Chairman and President
Public Corporation, NYSE
Total Employees: 5,600
Total Revenue, Fiscal Year End
6/30/83: $318,128,000
Computer Services Revenue:
$158,550,000

THE COMPANY

- Planning Research Corporation (PRC) was founded as a private company in 1954 to perform systems analysis and operations research for the Department of Defense. Beginning in 1964 as a public company, PRC began a rapid expansion and diversification program primarily through acquisition. PRC's computer services activities are concentrated on providing professional services (primarily for the federal government), offering processing and other services for real estate multiple listing boards, and designing customized turnkey systems. Noncomputer services activities are in engineering, architecture, construction management, facilities support services, and scientific and technical assistance.

- PRC's financials have steadily improved since fiscal 1981, when considerable losses were incurred due to the completion of a corporate reorganization and consolidation of services that had begun in fiscal 1980. The restructuring process involved the sale and closure of several PRC subsidiaries that were either incurring losses or did not fit in with PRC's new strategic plan.

- Total corporate revenue in fiscal 1983 was $318.1 million, a decline of 2% from the prior year's $324.1 million. However, PRC posted record earnings for the second consecutive year:

 - Net income for fiscal 1983 rose 29% to $9.1 million.

 - Earnings per share were $1.30, up 25% from $1.04 in 1982.

- The slight revenue decline was attributed to the slow economic recovery and to reduced and delayed government spending. Improved profits came from better cost controls, improved cash management, and more profitable contracts.

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PRC
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	6/83	6/82	6/81	6/80	6/79
Revenue	$318,128	$324,134	$314,361	$280,886	$261,916
. Percent increase (decrease) from previous year	(2%)	3%	12%	7%	17%
Income before taxes and extraordinary item (loss)	$ 18,225	$ 14,527	$ (489)	$ 10,352	$ 9,299
. Percent increase (decrease) from previous year	25%	N/M	(105%)	11%	(5%)
Net income (loss)	$ 9,109	$ 7,070	$ (1,392)	$ 5,506	$ 4,971
. Percent increase (decrease) from previous year	29%	N/M	(125%)	11%	2%
Net earnings (loss) per share	$ 1.30	$ 1.04	$ (0.20)	$ 0.81	$ 0.72
. Percent increase (decrease) from previous year	25%	N/M	(125%)	13%	0%

N/M: Not meaningful

- PRC reports revenue by its four major organizational units, two of which are computer services operations. Functions of the organizational units are:
 - Computer Services.
 - PRC Government Information Systems designs and installs computer systems for military agencies, provides systems conversion and programming, and offers facilities management and processing services, primarily to the federal government.
 - PRC Computer Systems provides processing and related services to the real estate brokerage industry and markets computer-assisted dispatch services and high-speed data communications systems to public safety agencies.

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- Noncomputer Services.
 - PRC Systems Services provides systems and marine engineering, technical assistance, training, and facilities support services primarily for high technology government projects.
 - PRC Engineering provides government and commercial clients worldwide with planning, design, engineering, architectural, and construction management services.

- In fiscal 1983 the computer services portion of PRC accounted for about half the total revenue. A three-year summary by operating group follows.

PRC
THREE-YEAR OPERATING SUMMARY
($ thousands)

Operating unit	FY 1983 Revenue	Growth (decline)	FY 1982 Revenue	Growth (decline)	FY1981 Revenue
PRC Government Information Systems					
. Revenue	$108,151	9%	$ 99,470	28%	$ 77,801
. Operating Income*	$ 9,166	8%	$ 8,510	34%	$ 6,361
PRC Computer Systems					
. Revenue	$ 50,399	(6%)	$ 53,873	(2%)	$ 54,874
. Operating Income*	$ 5,361	42%	$ 3,770	89%	$ 1,993
SUBTOTAL Computer Services					
. Revenue	$158,550	3%	$153,343	16%	$132,675
. Operating Income*	$ 14,527	18%	$ 12,280	47%	$ 8,354
PRC Systems Services					
. Revenue	$ 61,090	(5%)	$ 63,970	(4%)	$ 66,604
. Operating Income*	$ 3,795	(1%)	$ 3,840	16%	$ 3,312
PRC Engineering					
. Revenue	$ 99,259	(7%)	$106,882	(1%)	$108,101
. Operating Income*	$ 8,540	(16%)	$ 10,116	33%	$ 7,604
SUBTOTAL Noncomputer Services					
. Revenue	$160,349	(6%)	$170,852	(2%)	$174,705
. Operating Income*	$ 12,335	(12%)	$ 13,956	28%	$ 10,916
Corporate					
. Other Revenue	$ 123		$ 515		$ 8,857
. Intersegment Sales	$ (894)		$ (576)		$ (1,876)
TOTAL Corporate Sales	$318,128	(2%)	$324,134	3%	$314,361

*Operating Income: prior to adjustments, eliminations, and corporate expense.

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- PRC's computer services revenue ($158.6 million) grew 3% in fiscal 1983 and computer operating income showed an increase of 18%. Performance by operational unit was:

 - PRC Government Information Systems revenue grew 9% to $108.2 million, and the corresponding operating income showed an 8% increase to $9.2 million, despite problems in PRC's markets. Debate in the U.S. Congress over domestic versus military spending caused delays in contract awards and appropriations. PRC's loss of several key contracts also contributed to lower growth rates.

 - PRC Computer Systems showed a small decline in revenue (6%) but greatly improved income (up 42%). The larger of its two divisions, PRC Realty Systems, had increased revenue and was responsible for the group's higher operating income. The other division, PRC Public Management Services, experienced a sharp decline in both revenue and operating income due to tight funding from its primary clients, state and local public safety agencies.

- At the end of June 1983, PRC acquired Sterling Systems Inc., a professional services firm and provider of litigation support services. PRC purchased Sterling for $10.3 million cash. Sterling's revenue for its fiscal years ended April 1983 and 1982 were $18.2 million and $16.4 million, respectively. Sterling became a division of PRC Government Information Systems. Since the acquisition of Sterling occurred on the last day of PRC's fiscal year, Sterling's operating results are not included in the consolidated statement.

- An organizational chart of the operating units and divisions within PRC, as it existed in fiscal 1983, is presented in the exhibit. The organizational structure of PRC's computer services operations now in effect is:

 - PRC Public Management Services currently reports to Government Information Systems.

 - PRC Realty Systems has become a major group, reporting at the same level as Government Information Systems.

 - PRC Government Information Systems has been reorganized into the following six units:

 - Applied Systems Division.
 - Systems Development Division.
 - Defense Electronics and Space Systems.
 - Major Programs Division.
 - Sterling Systems.
 - PRC Public Management Services.

- For the six months ended December 31, 1984, PRC reported revenue of $156.3 million, compared with $155.9 million in the previous six months. Although

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EXHIBIT

PRC ORGANIZATIONAL CHART

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revenue was flat for the period, earnings per share increased 43% to $0.90 versus $0.63. Increased earnings were attributed to improved performance in two of the company's four operating groups - PRC Realty Systems and PRC Systems Services.

- There are approximately 2,600 employees in PRC Government Information Systems and PRC Computer Systems.

- Competition for PRC's major computer services activities comes from:

 - Government professional services: Computer Sciences Corporation, Electronic Data Systems, System Development Corporation, and Science Applications, Inc.

 - Real estate multiple-listing services: Multilist, International Graphics Corporation, and Realtron Corporation.

KEY PRODUCTS AND SERVICES

- PRC's computer services revenue, segmented by activity, has been as follows for the past two years:

	FY 1983 ($ millions)	Percent of Total	FY 1982 ($ millions)	Percent of Total
Professional Services				
. Government Information Systems	$108.2	68%	$ 99.5	65%
. Public Management Services	8.1	5	11.7*	8
Processing Services				
. Realty Systems	42.3	27	40.1	26
Software Products				
. Central Software*	-	-	2.1	1
	$158.6	100%	$153.4	100%

*This product line was sold in 1983.

- PRC Government Information Systems provides computer-related services to government clients, primarily the federal government. A substantial portion of the group's contracts are defense related (76% of revenue in fiscal 1983). To a significant extent, revenue growth is dependent on the level of federal government spending for professional services, particularly in the defense area.

 - Government Information Systems is shifting its business emphasis toward high technology contracts, specifically turnkey or fixed delivery awards. Emphasis will also be placed on competing for field services (facilities management), systems development, and systems integration contracts.

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- In fiscal 1983, PRC Government Information Systems was organized into four business areas: military systems; civil systems; computer facilities management and computer center operations; and Sterling Systems Inc.

 . Systems development work for the military includes the handling and processing of intelligence data, command and control information systems, and resources management.

 - Recent contracts in the intelligence systems area have involved work on the U.S. Navy's intelligence data processing system, the Strategic Air Command's intelligence data handling systems, the Pacific Air Command's Korean Air Intelligence System, the Rapid Deployment Joint Task Force's deployable intelligence support system, and the Defense Intelligence Agency's advanced imagery requirements and exploitation system.

 - A major disappointment for PRC Government Information Systems in fiscal 1983 was not having the Burroughs Corporation-PRC team selected in the U.S. Air Force's Phase IV computer systems procurement. The contract, valued at $60 million for PRC over an eight-year period, was awarded to Sperry Corporation-Computer Sciences Corporation.

 - During fiscal 1983 the group completed three substantial contracts with the U.S. Navy and the Defense Communications Agency. The follow-on contracts were awarded to competitors after intense competition.

 - Loss of projected revenue from these contracts was more than offset by revenue from expansion or extension of existing contracts involving the Defense Department's JINTACCS (Joint Interoperability of Tactical Command and Control Systems) Program Office; the Air Force's Strategic Air Command, Electronic Security Command and Foreign Technology Division; and the Naval Electronics Command.

 - PRC has developed command and control systems for the U.S. Navy, the U.S. Army's European headquarters, and for several elements of the Worldwide Military Command and Control System.

 - Numerous systems for military resources management, such as commissary inventory systems, payroll and accounting systems, real property management systems, and manpower and material systems have also been developed by PRC.

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- PRC Government Information Systems furnishes computer-based information systems for civil agencies of the federal government. The group provides analysis, design, programming, and implementation services for agencies such as the Executive Office of the President, General Services Administration, the Department of Energy, and NASA.

 - In addition to systems development contracts, the group also provides customized turnkey systems. During fiscal 1983 a machine-readable passport production system was installed in Miami and San Francisco under a contract held with the State Department. The system has been installed at five Passport Offices in the U.S., with six more locations scheduled.

 - PRC is developing an automated passport reader system for the U.S. Customs Service to read and check the validity of passports at ports of entry. The system has been installed, on a pilot basis, at customs gates at Chicago's O'Hare International Airport.

 - Under a contract from the Department of Agriculture's Food and Nutrition Service, PRC is developing an electronic system that will eliminate coupons and other paperwork in providing food stamp benefits.

- Computer facilities management and computer center operations are provided by PRC Government Information Systems.

 - The group manages and operates computer facilities at NASA Headquarters, the NASA Scientific and Technical Information Facility, NASA Langley Research Center, the Nuclear Regulatory Commission, the National Science Foundation, and the Executive Office of the President. Contracts are also held with the General Services Administration for operation of the regional Federal Data Processing Center in Alaska and with local government agencies such as Prince Georges County (MD) and the City of Grand Rapids (MI).

 - On-line and batch processing services are provided from the PRC Computer Center for both government and commercial clients. Programming, data base management, and computerized membership recordkeeping and mailing services for associations and other large groups are offered.

- Sterling Systems designs and implements computer systems for the federal government, state and local governments, and commercial organizations.

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- Federal government clients include the Department of Defense, Department of Energy, Department of Transportation, Department of Education, Department of Justice, and the Department of the Interior. State and local government clients have included the District of Columbia, State of New York, and the Los Angeles and San Antonio Metropolitan Transportation Districts.

- Recent contracts include a $10 million award with the U.S. Navy for development of computer software and services for inventory control points in Mechanicsburg and Philadelphia (PA). Sterling also received a significant contract to provide systems support to the U.S. Geological Survey through 1986.

- Computerized litigation support, one of Sterling's fastest growing businesses, is provided to both government and private clients.

- PRC Computer Systems' consolidated revenue of $50.4 million in fiscal 1983 came from processing and related services provided by PRC Realty Systems ($42.3 million) and professional services provided by PRC Public Management Services ($8.1 million). During fiscal 1983 the group closed down its PRC Program Products division. Program Products' computer software product line, Central Software™, was sold to Pansophic Systems in June 1982.

 - Revenue growth in PRC's Realty Systems has been relatively low during the last three years due to the recession and high interest rates in the mortgage market. Increases in operating income were attributed to improved operating efficiencies and cost reductions. These included consolidating two service organizations; installing new accounts receivable, billing, and lockbox systems; and improving the routing of delivery trucks, each of which travels more than 4,000 miles a week.

 - PRC Realty Systems serves the real estate brokerage industry with computer-based multiple listing services. Both on-line access to current property listings and computer-generated listing books are marketed directly to local or regional real estate boards. Although PRC provides its services under contract with real estate boards and multiple listing services, its revenue comes from the members of those organizations through their purchases of listing books and their subscriptions to the on-line computer system.

 - The number of revenue-producing terminals the division had in service rose by more than 9% in fiscal 1983 and book sales increased more than 20%. There are approximately 9,000 terminal users of the on-line service.

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- Some of the division's larger contracts are with Boards of Realtors in Albuquerque, Cleveland, Houston, Indianapolis, Las Vegas, Miami, Oakland, Phoenix, Rochester, San Antonio, and St. Louis.

- During the second quarter of fiscal 1984, Realty Systems was awarded a $3.5 million contract to provide on-line services to four Boards of Realtors in Northern Virginia that are merging their multiple-listing data bases.

- New product announcements include:

 - Loan Express™, a service that will enable Realtors to obtain timely mortgage rate information from a wide range of lenders and to process homebuyers' mortgage loan applications faster and more easily.

 - ExecuPro™, a computerized office-management system tailored to the real estate industry. Sold on IBM, Compaq, and Texas Instruments Professional microcomputers, ExecuPro offers customized software packages for the automation of analyses and recordkeeping functions in real estate offices. It is a standalone system that sells for $6,000 to $8,000.

- PRC Public Management Services provides computer-assisted dispatch services and high-speed data communications systems to public safety agencies and commercial clients, primarily within the U.S. Both revenue and operating income declined sharply in fiscal 1983 due to tight funding from state and local public safety agencies for computer-aided vehicle dispatch and message-handling systems.

 - Clients for PRC's dispatching systems include operators of police, fire, ambulance, bus, and maintenance fleets. Automated message-handling systems, which provide the client with high-speed, high-volume transfers of data on both a point-to-point and a multiple-point basis, are also marketed.

 - In fiscal 1983 the division worked on systems for the Memphis (TN) and Fremont (CA) police departments. An ambulance dispatching system for New York Health and Hospital Corporation was also installed.

 - During fiscal 1983 PRC Public Management Services sold its small Australian subsidiary to Logica Pty. Limited. The subsidiary had marketed package software and provided contract programming services in Australia.

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INDUSTRY MARKETS

- Revenue from PRC's computer services activities are estimated as follows:

	Percent of Total	Revenue ($ millions)
Government		
. Federal	59%	$ 93.1
. State and local	5	8.0
Services		
. Real estate	27	42.3
Other (includes commercial, foreign government, and other international)	9	15.2
	100%	$ 158.6

GEOGRAPHIC MARKETS

- Approximately 99% of PRC's fiscal 1983 computer services revenue was derived from the U.S. and 1% from international sources, primarily Australia and Canada.

COMPUTER HARDWARE AND SOFTWARE

- PRC Realty Systems has 120 computer sites for its real estate services. H-P 1000s are used.

- The PRC Computer Center in McLean (VA) offers general processing services using several data base management systems, TSO, WYLBUR, and CICS. Equipment installed includes:

 - 1 NAS AS/6, MVS.
 - 1 NAS AS/5, MVS.
 - 2 DEC PDP-11/70s.

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COMPANY HIGHLIGHT

PLANNING RESEARCH CORPORATION
1500 Planning Research Drive
McLean, VA 22102
(703) 556-1000

John M. Toups, Chairman, President and CEO
Public Corporation, NYSE
Total Employees: 6,659
Total Revenue, Fiscal Year End 6/30/81: $314,361,000
Computer Services Revenue: $132,681,500

THE COMPANY

- Planning Research Corporation (PRC) was founded as a private company in 1954 to perform systems analysis and operations research for the Department of Defense. Beginning in 1964 as a public company, PRC began a rapid expansion and diversification program primarily through acquisition. PRC's computer services activities now include processing services, professional services, turnkey systems, and software products.

- PRC's fiscal 1981 revenue was $314,361,000, a 12% increase over fiscal 1980 revenue of $280,886,000. Net income decreased 125% in fiscal 1981, showing a loss of $1,392,000 as compared with the 1980 figure of $5,506,000. The company's compounded annual growth rate since 1971 has been 14.1%. Total corporate revenue is summarized as follows:

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PRC
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	6/81	6/80	6/79	6/78	6/77
Revenue	$314,361	$280,886	$261,916	$223,385	$185,557
. Percent increase from previous year	12%	7%	17%	20%	25%
Income before taxes and extraordinary item	$ (489)	$10,352	$ 9,299	$ 9,802	$ 7,801
. Percent increase (decrease) from previous year	(105%)	11%	(5%)	26%	29%
Net income (loss)	$ (1,392)	$ 5,506	$ 4,971	$ 4,887	$ 3,862
. Percent increase (decrease) from previous year	(125%)	11%	2%	27%	28%
Net earnings (loss) per share	$ (0.20)	$ 0.81	$ 0.72	$ 0.72	$ 0.60
. Percent increase (decrease) from previous year	(125%)	13%	0%	20%	20%

- In fiscal 1981, PRC completed the corporate reorganization and consolidation of services which it began in fiscal 1980, following a strategic analysis of its business. The restructuring process involved the sale and closure of several PRC subsidiaries. The company now operates under centralized corporate and financial control.

 - PRC's Planning, Economics, Engineering, and Architecture Group was reorganized into two major operating groups.

 . PRC Engineering, headquartered in New York City, provides planning, design, engineering, and construction management services primarily to the transportation, housing, sewage disposal, water supply/irrigation, and energy industries in both the government and commercial sectors. PRC Engineering operates in 30 countries worldwide, and accounted for 34% of PRC's fiscal 1981 revenue.

 . PRC Systems Services, based in McLean, provides systems and marine engineering, technical assistance, training, and maintenance primarily for high technology government projects.

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- Information Sciences/Services and Management Consulting Group, the computer services portion of PRC, headquartered in McLean, was also divided into two business segments.

 . PRC Government Information Systems provides systems conversion and programming, data base and facilities management, processing, and software products primarily to the federal government.

 . PRC Computer Systems provides processing services, turnkey systems, dispatch and data communications systems, and software products to municipal and state governments and the commercial sector.

- Several unprofitable operations were sold, phased out, or closed during the corporate reorganization.

 - The following companies were formerly a part of the Information Sciences/Services and Management Consulting Group.

 . PRC Jacobs, Inc., which provided property tax appraisal services, is being phased out.

 . PRC Technical Applications, Inc.'s computer services activities, including providing automated phototypesetting, data base maintenance, and customized logistics systems, were sold off. Non-computer services activities have been integrated with the Systems Services group.

 . PRC International, Inc., which marketed turnkey systems, software products, and processing services from its London headquarters, was closed down.

 - PRC also sold Economics Research Associates, a former subsidiary of the Planning, Economics, Engineering, and Architecture Group.

- In fiscal 1981, the computer services portion of PRC provided 42% of total revenue. A three-year summary by operating group follows. Figures for fiscal 1979 and 1980 have been restated to correspond to operating groups formed in fiscal 1981.

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PRC
THREE-YEAR OPERATING SUMMARY
($ thousands)

ITEM \ FISCAL YEAR	6/81	6/80	6/79
Engineering			
. Revenue	$108,101	$97,039	$90,176
- Percent increase over previous year	11%	8%	N/A
. Operating income	$ 7,604	$ 6,854	$ 3,959
- Percent increase over previous year	11%	73%	N/A
Systems Services			
. Revenue	$66,604	$67,358	$66,304
- Percent increase (decrease) previous year	(1%)	2%	N/A
. Operating income	$ 3,312	$ 4,269	$ 4,532
- Percent (decrease) over previous year	(22%)	(6%)	N/A
Government Information Systems			
. Revenue	$77,801	$60,243	$52,483
- Percent increase over previous year	29%	15%	N/A
. Operating income	$ 6,361	$ 3,424	$ 4,023
- Percent increase (decrease) over previous year	86%	(15%)	N/A
Computer Systems	$54,874	$46,911	$45,307
. Revenue			
- Percent increase over previous year	17%	4%	N/A
. Operating income	$ 1,993	$ 5,018	$ 2,567
- Percent increase (decrease) over previous year	(60%)	95%	N/A
Other			
. Revenue	$ 8,857	$11,295	$ 9,784
- Percent increase (decrease) over previous year	(22%)	15%	N/A
. Operating income	$(2,345)	$ 640	$ 315
- Percent increase (decrease) over previous year	(466%)	103%	N/A
Intersegment Sales			
. Revenue	$(1,876)	$(1,960)	$(2,138)
- Percent increase (decrease) over previous year	4%	8%	N/A

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- PRC's net loss in fiscal 1981 was primarily the result of operating losses of $5.8 million, and reserves and write-offs of approximately $3 million, associated with businesses terminated during the year. PRC also experienced interest expense and foreign exchange translation losses in fiscal 1981.

 - Major losses were the result of the closure of the computer systems and service bureau operations in England, related operations in Southeast Asia, and PRC's domestic property appraisal operation.

- PRC's revenue performance varied by operating group:

 - More than half the total increase in PRC's fiscal 1981 revenue was accounted for by the Government Information Systems Group, whose revenue grew 29% to $77.8 million from $60.2 million in fiscal 1980. Operating income for this business sector rose 86% to $6.4 million from $3.4 million the previous year. Growth was the result of increases in both government and commercial work.

 - Increases in both revenue and operating income for PRC Engineering were the result of growth in overseas design and construction management work.

 - More than half of the Computer Systems Group's fiscal 1981 revenue increase was the result of PRC Realty System's higher average customer base during the year. Operating income for this segment decreased 60% due to losses resulting from the discontinuation of overseas computer services work.

 - Revenue and operating income declines in the Systems Services segment were the result of adverse market conditions in the training and related service areas.

 - Revenue included in "Other" was derived from three subsidiary operations in the process of being sold or closed down. These include Economics Research Associates, Applied Information Technology Inc., and PRC Jacobs, Inc. An estimated $6.5 million in computer services revenue was derived from this category.

- Revenue and net income for the six months ended December 31, 1981, were $158,941,000 and $3,621,000, respectively, as compared with revenue of $153,700,000 and net income of $217,000 a year earlier.

 - Government Information Systems increased in both revenue and operating income during this period. Computer Systems grew in revenue and declined in operating income due to software development expenses and softening in the real estate market.

- At the end of fiscal 1981, PRC employed 6,659 people, 2,000 of whom were employed in Government Information Systems and 800 in Computer Systems.

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KEY PRODUCTS AND SERVICES

- PRC Government Information Systems provides processing and professional services primarily to defense-related agencies of the federal government. The group is composed of former PRC divisions and subsidiaries including the PRC Computer Center, Inc., PRC Data Services Company, PRC Image Data Systems Company, and PRC Information Sciences Company. Government Information Systems is presently divided into the following business areas:

 - The Civil Systems division provides professional services and customized turnkey systems to civil agencies of the federal government. Recent activities include:

 . Development of an energy management information system and data resources directory for the Department of Energy.

 . Design and implementation of the Travel Document Issuance System, which automatically creates machine-readable passports for the Department of State.

 - The Military Systems division provides professional services to military agencies of the federal government. Areas of expertise include intelligence; command, control, and communications; and resources management. Recent contract examples follow:

 . In January 1981, the Navy Electronic Systems Command (NESC) awarded PRC a $3.2 million, eight-month contract for the provision of software development and support to the Navy Command and Control System. The contract contains three renewal options which would bring its total value to over $14 million. Services provided include systems analysis, design, programming, testing, implementation, documentation, and training. PRC has provided services to the NESC and its predecessors for the past 20 years.

 . In March 1981, PRC was awarded a two-year, $1.6 million contract from the Headquarters, United States European Command (USECOM) in Stuttgart, Germany. The agreement calls for the development of command, control, and communications systems and has options bringing the potential contract value to $4.5 million. PRC has provided similar services to USECOM since 1965.

 . A $3.9 million contract modification to expand the provision of professional services to JINTACCS (Joint Interoperability of Tactical Command and Control Systems) was awarded in August 1981. PRC has been providing professional services to the Joint Interface Test Force since 1978.

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- In September 1981, PRC received a three-year, $4.7 million contract to provide scientific engineering and program support of battlefield communications equipment to the Joint Tactical Communications Office, a Department of Defense organization.

- Two contracts, worth a total of $4.4 million, were awarded in November 1981 for the provision of intelligence data handling systems to the U.S. Air Force's Rome Air Development Center.

- In January 1982, PRC received a one-year, $4.8 million contract extension to maintain the U.S. Navy Military Personnel Command's Microform Personnel Records System. The system, developed by PRC in 1973, handles storage and retrieval of all Navy personnel documents on microfiche.

- Software conversion services for the Air Force's Phase IV program are being provided by PRC under a $20 million, 26-month subcontract received from Burroughs Corporation in December 1980. PRC is upgrading and replacing more than 150 systems that provide supply, logistics, and administrative management to Air Force bases worldwide. The contract is scheduled for completion in 1982 and carries an eight-year option for continuing transition, implementation, and systems support activities.

- Government Information Systems manages and operates computer facilities for federal and local government agencies. Recent facilities management contracts include the following:

 - PRC operates the computer center for the Executive Office of the President under a $3.6 million contract received in the first quarter of fiscal 1981. Services include systems software maintenance, applications development, and planning. PRC operates legislative tracking systems and produces federal budget and related documents.

 - Facilities management services are performed for Prince George's County, Maryland, under an April 1981 five-year contract valued at $7.5 million. The agreement includes management of county law enforcement, criminal justice, internal accounting, and tax assessment systems.

 - In December 1981, PRC received a two-year, $4 million contract for the operations and maintenance of the Nuclear Regulatory Commission's document control system. Responsibilities include document coding and processing, data entry, computer and micrographics operations, and equipment maintenance.

 - PRC has been providing facilities management services to NASA headquarters in Washington, D.C. since 1970. In December 1981, a five-year continuation contract valued at $22 million was

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signed. The company has provided similar services to NASA's Goddard Space Flight Center, Langley Research Center, and Scientific and Technical Information Facility.

- Government Information Systems' computer center provides on-line and batch processing for accounting and general business applications, data base management services, and systems software support for government and commercial clients. The center also supplies computerized membership recordkeeping and mailing services to associations and other large groups.

- PRC markets Telefiche™, an image processing system introduced in 1978. Telefiche allows users to locate, retrieve, and transmit imagery stored in a remote micrographics data base. During fiscal 1981, work was continued on a Telefiche medical claims system for several Blue Cross/Blue Shield organizations.

- PRC's Computer Systems Group provides processing, professional services, software products, and turnkey systems internationally to clients other than the federal government. The group has three major divisions:

 - PRC Realty Systems provides a multiple listing data base service of real estate properties for sale. Up to 250 features can be displayed for each property. Amortization, closing costs, and investment potential of property can be calculated. Three modes of delivery are available:

 . On-line, through a terminal network connected to the Denver computer center.

 . In book form, through a photo listing book, updated weekly.

 . As a turnkey system, sold directly by PRC Realty Systems. This product, introduced in early 1980, is called BOSS (Broker Office Support System). Aimed at small brokers, it serves as a miniprocessor-based office turnkey system. There are no installations of the product, which has been repackaged to sell for approximately $10,000. The Boss system provides:

 - Accounting and management reporting software.

 - Letter and word processing capabilities.

 - Property management programs to track rental income and expenses for property owners.

 - On-line access to the multiple listing service data base.

 - PRC Public Management Services primarily develops customized turnkey dispatching, data base, and communications systems for public safety management and commercial clients.

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- Clients for automated dispatching and recordkeeping systems include operators of police, fire, ambulance, bus, maintenance, and pickup and delivery fleets. Systems to support law enforcement, court, prosecutor, and correctional management have also been developed.

- Public Management Services' operations in Australia include marketing small accounting software packages and providing programming services to commercial and government clients.

- PRC Program Products markets software products to commercial clients. The primary product, Central Software™, is an on-line productivity and development tool which was introduced in November 1980. The system runs on DEC PDP-11/34 and -11/70 minicomputers, and IBM 370, 303X, 43XX and plug compatible mainframes in a CICS environment. With 70 installations, prices range from $12,000 to $40,000.

INDUSTRY MARKETS

- Government contract work for both foreign and U.S. federal and state governments accounted for approximately 65% of PRC's fiscal 1981 revenue. The company is continuing to expand its contract activity in the commercial sector. A five-year summary of revenue by industry sector follows:

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PRC
REVENUE BY INDUSTRY
($ thousands)

ITEM \ FISCAL YEAR	6/81	6/80	6/79	6/78	6/77
Commercial (includes foreign governments)*	$129,228	$115,475	$111,463	$ 92,833	$ 72,444
. Percent of total revenue	41%	41%	43%	42%	39%
U.S. government: Military	$ 67,182	$ 57,249	$ 48,100	$ 38,966	$ 33,939
. Percent of total revenue	21%	20%	18%	17%	18%
U.S. government: Non-military	$ 68,855	$ 64,568	$ 59,622	$ 52,150	$ 45,967
. Percent of total revenue	22%	23%	23%	23%	25%
U.S. state and local government	$ 49,096	$ 43,594	$ 42,731	$ 39,436	$ 33,207
. Percent of total revenue	16%	16%	16%	18%	18%
Total	$314,361	$280,886	$261,916	$223,385	$185,557

*Revenue from sales to foreign governments accounted for 12% of total fiscal 1981 revenue.

GEOGRAPHIC MARKETS

- Revenue distribution for PRC by geographic region has been as follows:

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PRC
REVENUE BY GEOGRAPHIC REGION
($ thousands)

ITEM \ FISCAL YEAR	6/81	6/80	6/79	6/78
United States	$252,018	$225,601	$206,330	$173,224
. Percent of total revenue	80%	80%	79%	78%
Western Europe	$ 6,949	$ 6,870	$ 20,773	$ 30,038
. Percent of total revenue	2%	3%	8%	13%
Middle East	$ 36,970	$ 30,899	$ 16,283	$ 3,908
. Percent of total revenue	12%	11%	6%	2%
Other Foreign*	$ 18,424	$ 17,516	$ 18,530	$ 16,215
. Percent of total revenue	6%	6%	7%	7%
Total	$314,361	$280,886	$261,916	$223,385

*Includes Australia, Canada, Hong Kong, Phillipines, Puerto Rico, and Venezuela.

- PRC operates more than 200 offices serving clients in 36 countries.

COMPUTER HARDWARE AND SOFTWARE

- General software support from PRC's data center in McLean includes several data base management systems, TSO, WYLBUR, and CICS. Equipment installed includes:

 - 1 NAS AS/6, MVS.
 - 1 NAS AS/5, MVS.
 - 2 DEC PDP-11/70s.

- PRC also operates computer centers at 16 client sites, mainly for the federal government.

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PLANNING RESEARCH CORPORATION
1850 K Street, NW
Washington, DC 20006
(202) 293-4700

John M. Toups, President
and Chief Executive Officer
Public Corporation, NYSE
Total Employees: 6,800
Total Revenues, Fiscal Year End
6/30/80: $280,886,000
Computer Services Revenues:
$130,273,000

THE COMPANY

- Planning Research Corporation (PRC) was founded as a private company in 1954 to perform systems analysis and operations research for the Department of Defense. Beginning in 1964 as a public company, PRC began a rapid expansion and diversification program primarily through acquisition. PRC offerings now include processing services, professional services and turnkey systems.

- PRC's fiscal 1980 revenues of $280,886,000 registered a 7% increase over 1979. The company's compounded annual growth rate has averaged 13.6% over the last five years. Total corporate revenues are summarized as follows:

PRC
FIVE-YEAR FINANCIAL SUMMARY
($ Thousands Except Per Share Data)
(FYE 6/30)

FISCAL YEAR / ITEM	1980	1979	1978	1977	1976
Revenues	$280,886	$261,916	$223,385	$185,557	$148,012
. Percent increase from previous year	7%	17%	20%	25%	9%
Income before taxes and minority interests	$ 10,352	$ 9,299	$ 9,802	$ 7,801	$ 6,047
. Percent increase (decrease) from previous year	11%	(5%)	26%	29%	(3%)
Net income	$ 5,506	$ 4,971	$ 4,887	$ 3,862	$ 3,021
. Percent increase from previous year	11%	2%	27%	28%	0%
Net earnings per share	$ 0.81	$ 0.72	$ 0.72	$ 0.60	$ 0.50
. Percent increase from previous year	13%	0%	20%	20%	6%

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- Through FY 1980, PRC was organized into two large operating groups. Financials of the two organizations are reported separately and reflect the operating results of:
 - The Planning, Economics, Engineering and Architecture Group, which provides professional services to government, business and industry. Tasks peformed include:
 - Planning, design, engineering and construction of seaports, airports and energy systems.
 - Urban planning, transportation studies, commercial and industrial architecture, land economics and recreation consulting.
 - The Information Sciences/Services and Management Consulting Group, the computer services portion of PRC, which provides computer processing services, professional services, turnkey systems, micrographics and facilities management.
- In FY 1980, the computer services portion of PRC provided 46% of total revenues and contributed 54% of the corporation's pre-tax profits. A five-year summary by operating group follows:

PRC
FIVE-YEAR OPERATING SUMMARY
($ Thousands, FYE 6/30)

ITEM \ FISCAL YEAR	1980	1979	1978	1977	1976
Planning, Economics, Engineering and Architecture Group					
. Revenues	$150,613	$133,766	$108,032	$ 95,950	$ 64,812
- Percent increase from previous year	13%	24%	13%	48%	8%
. Operating income	$ 10,382	$ 6,849	$ 7,264	N/A	N/A
. Pre-tax profits	$ 4,778	$ 3,555	$ 5,344	$ 5,422	$ 3,016
- Percent increase (decrease) from previous year	34%	(33%)	(1%)	80%	32%
Information Sciences and Management Consulting Group					
. Revenues	$130,273	$128,150	$115,353	$ 87,607	$ 83,200
- Percent increase from previous year	2%	11%	32%	5%	11%
. Operating income	$ 9,823	$ 8,547	$ 8,798	N/A	N/A
. Pre-tax profits	$ 5,574	$ 5,744	$ 4,458	$ 2,379	$ 3,031
- Percent increase (decrease) from previous year	(3%)	29%	87%	(22%)	(20%)

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- PRC's revenue performance varied greatly by operating group and company:
 - The Planning, Economics, Engineering and Architecture Group was adversely affected by the upheaval in Iran. 1979 write-offs amounted to $2.6 million, of which $1.8 million were recovered and reversed in 1980.
 - The Information Sciences/Services and Management Group showed very limited 1980 growth. Performance of PRC Realty Systems made up for declines in other companies within this group.
 - PRC Realty Systems recorded 1980 revenues of $34.6 million, up 41% from $24.5 million in 1979. Although Realty Systems contributed only 27% of PRC's computer services revenues, it provided 52% of the group's operating profit. Its contribution to operating profit increased from $1.9 million in FY 1979 to $5.1 million in FY 1980, a gain of 168%.
- At the end of FY 1980, PRC employed 6,800 people, 50% of whom were employed in the Information Sciences/Services and Management Consulting Group.
- In October 1980, PRC announced the beginning of a major corporate reorganization to consolidate the services provided by its many companies. Functional alignment of assets to eliminate redundant company entities is planned. These changes, scheduled to be completed in FY 1981, will allow for controlled expansion of PRC's existing business and entry into new areas. Preliminary plans are to group the operating entities as follows:
 - The Planning, Economic, Engineering and Architecture Group has been divided into two major segments, and further subsegments are planned.
 - Architectural and Engineering Services will direct the planning, design and management of PRC's major construction projects.
 - Systems Engineering and Facilities Support will provide engineering and technical assistance, maintenance planning and training programs for both government and commercial clients.
 - The Information Sciences/Services and Management Consulting Group will also be divided into two segments:
 - Commercial Information Systems will concentrate on commercial computer services offerings.
 - Government Information Systems will be responsible for software and systems services to the federal government.

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KEY PRODUCTS AND SERVICES

- The Information Sciences/Services and Management Consulting Group is organized into nine semiautonomous companies:
 - PRC Computer Center, Inc.
 - PRC Data Services Company.
 - PRC Image Data Systems Corporation.
 - PRC Information Sciences Company.
 - PRC Jacobs, Inc.
 - PRC Public Management Services, Inc.
 - PRC Realty Systems, Inc.
 - PRC Technical Applications, Inc.
 - PRC International.
- Collectively, these companies offer data processing services, professional services, software products and turnkey systems. Although packaged software and turnkey systems represent only a small percentage of total revenues, PRC sees opportunity and future growth in these products.
 - To supplement its business in Great Britain and to enhance its minicomputer expertise, PRC acquired certain assets of Gamma Computer Corporation, a London-based DEC systems house in August 1980.
- As mentioned previously, one of the most successful companies within PRC's computer services group is PRC Realty Systems. Formed in 1971 through the acquisition of Denver-based Realtronics, Realty Systems provides a multiple listing data base service of real estate properties for sale. Up to 250 features can be displayed for each property. Amortization, closing costs and investment potential of property can be calculated. Three modes of delivery are available:
 - On-line, through a terminal network connected to the Denver computer center.
 - In book form, through a photo listing book, updated weekly.
 - As a turnkey system, sold directly by PRC Realty Systems. This new product, introduced in early 1980, is called BOSS (Broker Office Support System). Aimed at small brokers, it serves as a miniprocessor-based office turnkey system. Packaged at under $50,000, the BOSS system provides:

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- Accounting and management reporting software.
- Letter and word processing capabilities.
- Property management programs to track rental income and expenses for property owners.
- On-line access to the multiple listing service data base.

- PRC Computer Center Inc. (CCI), formed in 1968, offers two major services:
 - Interactive and batch computing for accounting and general business applications. Both government and professional agencies are clients.
 - Professional services including facilities management, data base administration and systems software support. Most clients are with agencies of the federal government.
- PRC Data Services Company (DSC) was formed in 1969 to design, develop and maintain custom turnkey systems for highly specialized government projects. DSC also provides facilities management and software support.
- PRC Image Data Systems Company (IDSC) was established in 1978 through development, conversion and the merger of the micrographics divisions previously managed by PRC Data Services Company and PRC Information Sciences Company. IDSC has three divisions:
 - Systems Design Division, which provides the basic engineering, systems design and consulting for custom micrographic turnkey projects.
 - Services Division, which assists in the conversion of information to computer micrographic form and provides ongoing support including facilities management.
 - Research and Development Division, which develops new technology and builds new micrographics equipment. Its first major product, Telefiche™, was introduced in 1978. Telefiche allows users to locate, retrieve and transmit imagery stored in a remote micrographics data base.
- PRC Information Sciences company specializes in providing advanced systems, especially for military intelligence data systems.
- PRC Jacobs' primary service is property tax reappraisal for local and state governments. Jacobs is also extensively involved in the design and implementation of computer-based appraisal systems. Jacobs has performed these services for more than 500 state and local governments since 1965.

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- PRC Public Management Services, Inc. is a professional services and management consulting organization serving municipal, state and federal government agencies.
 - Areas of specialization include the application of minicomputers on a turnkey basis to support police and fire computer-assisted dispatching systems, specialized message-switching and communications systems, and systems to support law enforcement, court, prosecutor and correctional management.
- PRC Technical Applications, Inc. was acquired in 1964. The core of its business is with the U.S. Navy, although it also serves other government agencies and commercial clients. Of PRC Technical Application's many divisions, only two are computer-related:
 - PRC/DDSI furnishes an automated technical phototypesetting and data base maintenance service.
 - PRC/Engineering and Management Systems designs custom logistics information systems, engineering documentation systems and integrated logistics support systems.
- PRC International is the umbrella company under which PRC services are marketed abroad. PRC International's activities have been centered on:
 - Implementation of minicomputer-based public safety information systems, especially computer-aided dispatch and message switching.
 - Marketing of the proprietary Central Software product, a programmer productivity enhancement tool.

INDUSTRY MARKETS

- PRC remains heavily involved in government contract work. It plans to continue the pursuit of both government and commercial contracts.
- The following table shows the changing mix of government and commercial business for PRC over the last five years:

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PRC
REVENUES BY INDUSTRY
($ Thousands, FYE 6/30)

ITEM \ FISCAL YEAR	1980	1979	1978	1977	1976
Commercial (includes foreign governments)	$115,475	$111,463	$ 92,833	$ 72,444	$ 66,606
. Percent of total revenue	41%	43%	42%	39%	45%
U.S. government: Military	$ 57,249	$ 48,100	$ 38,966	$ 33,939	$ 31,165
. Percent of total revenue	20%	18%	17%	18%	21%
U.S. government: Non-military	$ 64,568	$ 59,622	$ 52,150	$ 45,967	$ 33,960
. Percent of total revenue	23%	23%	23%	25%	23%
U.S. state and local government	$ 43,594	$ 42,731	$ 39,436	$ 33,207	$ 16,281
. Percent of total revenue	16%	16%	18%	18%	11%

GEOGRAPHIC MARKETS

- Revenue distribution for PRC by geographic region has been as follows:

PRC
REVENUES BY GEOGRAPHIC REGION
($ Thousands, FYE 6/30)

ITEM \ FISCAL YEAR	1980	1979	1978
United States	$225,601	$206,330	$173,224
. Percent of total revenue	80%	79%	78%
Western Europe	$ 6,870	$ 20,773	$ 30,038
. Percent of total revenue	3%	8%	13%
Middle East	$ 30,899	$ 16,283	$ 3,908
. Percent of total revenue	11%	6%	2%
Other Foreign*	$ 17,516	$ 18,530	$ 16,215
. Percent of total revenue	6%	7%	7%

* Includes Australia, Canada, Hong Kong, Phillipines, Puerto Rico and Venezuela.

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COMPUTER HARDWARE AND SOFTWARE

- PRC's data centers have Burroughs, IBM and National Advanced System hardware. Data centers are located in McLean (VA) and Los Angeles (CA).
- PRC also operates computer centers at 15 client sites, mostly for the federal government.
- General software support includes several data base management systems, TSO, WYLBUR and CICS.

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PLANNING RESEARCH CORPORATION
1850 K Street, N.W.
Washington, DC 20006
(202) 293-4700

John M. Toups, President and Chief Executive Officer
Public Corporation, NYSE
Total Employees: 6,447
Total Revenues, Fiscal Year End 6/30/79: $261,916,000
Computer Services Revenues: $128,150,000

THE COMPANY

- Planning Research Corporation (PRC) was founded in 1954 to perform systems analysis and operations research for the Department of Defense. After 25 years in business, PRC provides professional services to government, business and industry in computer information systems development and related services, management consulting, economic analysis, planning, engineering and architecture.

- PRC's fiscal 1979 revenues registered a 17% gain over 1978. Net income for 1979 was $.72 per share on revenues of $261,916,000 compared with $.72 and $223,385,000 for 1978. A five year financial summary follows:

PRC
FIVE YEAR FINANCIAL SUMMARY
($ Thousands, Except Per Share Data)
(FYE 6/30)

FISCAL YEAR / ITEM	1979	1978	1977	1976	1975
Revenues	$261,916	$223,385	$185,557	$148,012	$135,336
. Percent increase from previous year	17%	20%	25%	9%	23%
Income before income taxes and minority interests	$ 9,299	$ 9,802	$ 7,801	$ 6,047	$ 6,239
. Percent increase (loss) from previous year	(5%)	26%	29%	(3%)	16%
Net income	$ 4,971	$ 4,887	$ 3,862	$ 3,021	$ 3,008
. Percent increase from previous year	2%	27%	28%	0%	13%
Net earnings per share	$.72	$.72	$.60	$.50	$.47
. Percent increase from previous year	0%	20%	20%	6%	18%

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- PRC management attributes the decrease in income before income taxes and minority interests and the slight increase in net income to:
 - Company losses associated with the political upheaval in Iran. Reserves totalling $2,867,000 were established as a result of the uncertainties in connection with PRC's investment in Iran as well as for the collection for completed work.
 - The completion of the sale of two subsidiaries during 1979 which accounted for a decline in revenues of $7,324,000. The sales included:
 - PRC's 75% interest in Logica Nederland, B.C., a London-based computer software firm.
 - H. B. Maynard and Company, an industrial engineering management consulting firm.
 - Disappointing financial results of two subsidiaries:
 - Consoer, Townsend and Associates, LTD. was adversely affected by Environmental Protection Agency regulations associated with certain long-term projects.
 - PRC Realty Systems, Inc., experienced indirect expense increases due to production problems.

- PRC is functionally structured as two operating groups: the Information Sciences and Services and Management Consulting Group, and the Planning, Economics, Engineering and Architecture Group.
 - The Planning, Economics Engineering and Architecture Group provides professional services to government, business and industry in planning and economic feasibility consulting, architecture and engineering, and construction management areas.
 - Information Sciences and Services and Management Consulting provides computer systems design and analysis, data processing, and management consulting.

- As shown in the following financial summary of PRC's two operating groups, the most profitable group for the past two years has been Information Sciences.

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FIVE YEAR OPERATING SUMMARY, PRC
($ Thousands)

ITEM / FISCAL YEAR	1979	1978	1977	1976	1975
Planning, Economics, Engineering and Architecture Group					
. Revenues	$133,766	$108,032	$ 95,950	$ 64,812	$ 59,762
. Percent increase from previous year	24%	13%	48%	8%	23%
. Pre-tax profits	$ 3,555	$ 5,344	$ 5,422	$ 3,016	$ 2,285
. Percent increase (loss) from previous year	(33%)	(1%)	80%	32%	(26%)
Information Sciences and Management Consulting Group					
. Revenues	$128,150	$115,353	$ 87,607	$ 83,200	$ 74,872
. Percent increase from previous year	11%	29%	7%	11%	29%
. Pre-Tax profits	$ 5,744	$ 4,458	$ 2,379	$ 3,031	$ 3,781
. Percent increase (loss) from previous year	29%	87%	(22%)	(20%)	88%

- Of the 6,447 employees, approximately 3,500 are connected with the Information Sciences and Services and Management Consulting Group.

KEY PRODUCTS AND SERVICES

- This section will focus on the Information Sciences and Services and Management Consulting Group which provides the computer services portion of PRC's business.

 - Services performed by this group encompass the design and implementation of data processing systems, primarily computer based, including interactive systems, information storage and retrieval systems, micrographics systems, management information systems, communication network systems and specialized software for simplifying development of computer programs. This segment also assists with systems design, training and support of facilities at client locations and provides on-site data processing services for large-scale and highly specialized projects.

- The PRC Information Sciences and Services Group's subsidiaries consist of the following companies:

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- PRC Computer Center, Inc.
- PRC Data Services Company.
- PRC Image Data Systems Corporation.
- PRC Information Sciences Company.
- PRC Jacobs, Inc.
- PRC Public Management Services, Inc.
- PRC Realty Systems, Inc.
- PRC Technical Applications, Inc.
- PRC International.

- PRC Computer Center, Inc. (CCI) has two main business areas: providing computer services to several hundred clients from its computer center in McLean, VA. and providing professional services to federal, state, and local government agencies.

 - CCI offers both remote computing and batch services for accounting and business applications. The network also offers System 2000, ADABAS, statistical processing, subscriber/membership maintenance, MEDIRECORD (batch processing service for convalescent hospitals for patient records management), and HMO/THP (medical data management).
 - Professional service business areas include computer facility management, data base administration and system software support. Examples of CCI's professional service contracts include: operation of the Judicial Data Center for the State of Michigan and the U.S. Government's Alaska Federal Data Processing Center in Anchorage; maintainance of the Grants Data Base for the Law Enforcement Assistance Administration; and providing system engineering support to two large data processing centers in the Pentagon operated by the U.S. Army and the U.S. Air Force. During 1979 PRC received the Army's first award for a contractor-owned-and-operated computer services center at Fort Hood, Texas, where it will support Army field testing and evaluation of new equipment and tactics under simulated battle conditions.

- PRC Data Services Company (DSC) designs, develops and maintains turnkey systems for large-scale, long-term and highly specialized projects, and provides facilities management and software support.

 - Some of DSC's current projects include support to the Naval Regional Data Automation Centers in Washington, DC, Hawaii, and Norfolk, VA; and support to the National Aeronautics and Space Administration, for whom DSC is developing and operating an extensive Management Information System. For the Space Shuttle Program, DSC is creating a payload costs estimating, billing and collection system.
 - DSC is currently providing facility management support to the Executive office of the President of the United States in preparing the President's budget and related activities.

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- PRC Image Data Systems Company (IDSC) was established in 1978 through the merger of the Micrographics divisions of PRC Data Services Company and PRC Information Sciences Company. IDSC's three operating divisions provide total computer interrelated micrographic capabilities to business and government clients. IDSC services are divided into two segments: facilities management involving both initial micrographic conversion activities and continuing system management and operating services; and micrographic services including both computer output microform and service document microfilming for the greater Washington Metropolitan areas.

 - During 1978, IDSC introduced Telefiche™. Telefiche™ combines computer micrographics and communications technology and enables users to communicate with microfilm data banks by means of telecommunications and to locate, retrieve and transmit microfiche images over long or short distances in a matter of seconds per page. PRC management anticipates expanded future growth from this product.
 - A current major project being performed by IDSC is the design, implementation and operation of a minicomputer-based system for the Securities and Exchange Commission that will process and store 10-K Reports and related documents required each year by the SEC.
 - In addition, the Navy contracted with PRC to operate its Microfilm Personnel Records System. It is a massive image processing system designed by PRC for update, storage and retrieval of all Navy personnel records.

- PRC Information Sciences Company concentrates on advanced systems technology, with emphasis on military intelligence data handling systems.

- PRC Jacobs' primary service is property tax reappraisal for local and state governments. Jacobs is also extensively involved in the design and implementation of computer-based appraisal systems. Jacobs has performed these services for more than 500 state and local governments since 1965.

- PRC Public Management Services, Inc. (PMS) was formed as a professional services and management consulting organization oriented to the civil government agencies at municipal, state and federal levels of government.

 - Areas of specialization include the application of minicomputers on a turnkey basis to support police and fire computer-assisted dispatching systems, plus specialized message switching and communications systems. Other areas of systems expertise include the application of computers to support law enforcement, court, prosecutor and correctional management and operational functions.

- PRC Realty Systems, Inc. generated approximately ten percent of total corporate revenues for Planning Research Corporation. PRC Realty Systems' role is to provide information services to real estate professionals.

 - Service is offered in two ways: by providing an on-line data base of local properties for sale and by publishing weekly photo listing books

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containing similar information. Up to 250 different features of any property can be referenced. The system also calculates amortization schedules, closing costs, and investment potential for income-producing properties. Approximately 80 real estate boards are using PRC Realty Systems' services.

- PRC Technical Applications, Inc. offers a wide variety of services, not all of which are computer services, through several divisions. The core of its business is the U.S. Navy, although its client base also includes state and local governments, commercial industries and other federal agencies.

 - Naval architecture and marine engineering services to the maritime industry are offered through PRC Guralnick. An automated technical publications system is offered by PRC/DDSI. PRC/MSC provides vocational training and engineering services in addition to producing and marketing videotape maintenance training programs. Finally, the Engineering and Management Systems Division designs logistics information systems, produces automated engineering documentation and provides integrated logistics support including provisioning services.

- The objective of PRC International is eventually to provide the full range of PRC services internationally. Only the Information Sciences and Services Group of PRC International has been activated to date. The original business base of PRC International reflected an orientation towards public safety information systems. For example, in Southwest Australia PRC International developed an on-line public safety information system; in Ottawa, Canada, a minicomputer based computer-assisted dispatching and message-switching system was implemented. Now PRC International's business is more varied.

 - For the Kuwait Ministry of Planning, PRC has undertaken to conduct a management audit of its computer center. The project includes a review of all operations at the center in order to develop recommendations to enhance efficiency and productivity.
 - Because of PRC International's implementation experience in Latin America, it began developing, and now markets domestically as well as internationally, a software package to help clients upgrade the technical proficiency of their data processing staffs.
 - Called Central Software™, it is a comprehensive on-line systems development tool used as a productivity aid in developing interactive systems.
 - Central Software offers a complete and powerful data base management system available in DOS for between $14,000 and $35,500 or OS for between $25,000 and $59,000.
 - There are 13 installations in use in Venezuela, Puerto Rico, the Philippines, Australia, Italy, and the U.S.
 - In November 1979, the PRC Program Products Group was formed to market Central Software domestically as well as to develop specifically tailored client systems using Central Software. Thus far the Group has developed an on-line reservation system for a major Venezuelan airline. It has developed an aircraft

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maintenance scheduling system for Phillipine Airlines, and police systems in Canada and Australia.

INDUSTRY MARKETS

- United States Government contracts and subcontracts accounted for approximately 41% of PRC's gross revenues during fiscal 1979. PRC mangement plans to continue focusing its marketing on the Federal Government. Management acknowledges, however, that the local government marketplace is expanding and the Company plans to intensify its effort to penetrate that sector.

- The following table sets forth gross revenues from services furnished to commercial and government customers during each of the last five fiscal years and the related percentages of total gross revenues.

PRC
REVENUES BY INDUSTRY
($ Thousands)

FISCAL YEAR / ITEM	1979	1978	1977	1976	1975
Commercial (includes foreign governments)	$111,463	$92,833	$72,444	$66,606	$69,276
. Percent of total revenues	42.6%	41.5%	39.0%	45.0%	51.2%
U.S. Government: Military	$48,100	$38,966	$33,939	$31,165	$28,771
. Percent of total revenues	18.4%	17.4%	18.3%	21.1%	21.3%
U.S. Government: Non-Military	$59,622	$52,150	$45,967	$33,960	$24,535
. Percent of total revenues	22.7%	23.4%	24.8%	22.9%	18.1%
U.S. State and Local Government	$42,731	$39,436	$33,207	$16,281	$12,754
. Percent of total revenues	16.3%	17.7%	17.9%	11.0%	9.4%

GEOGRAPHIC MARKETS

- During fiscal 1979 approximately 83% of the Information Sciences and Services and Management Consulting Group's revenues were derived from the United States. The remaining 17% of revenues were derived from international operations, including 13% from Western Europe and 4% from other foreign countries (Australia, Philippines, Hong Kong, Venezuela, Puerto Rico, Canada, and Kuwait).

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COMPUTER HARDWARE AND SOFTWARE

- PRC provides its batch and remote computing processing services from its subsidiary company PRC Computer Center, Inc.

- Two mainframes are provided and supported by National Semiconductor Corporation:

 - One AS.5 operating under MVS.

- All peripherals (disk and tape drives, printers, etc.), are switchable between CPUs and I/O spooling is common to both.

- General software support includes several data base management systems, TSO, WYLBUR, CICS, as well as a full range of IBM utility packages.

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5/16/79

KA Nielsen

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COMPANY HIGHLIGHT

PLANNING RESEARCH CORPORATION
Suite ~~502~~ 1100
~~1025 Connecticut Ave NW~~ 1850 K St NW
Washington D.C. ~~20036~~ 06
(202) 293-4700

John M. Toups

Kenneth M. Poovey
~~Harrison A. Price~~, Chairman
~~Jack D. Little~~, President; CEO
Public corporation, NYSE
Total Employees: ~~6,948~~ 5,357
Total revenues, fiscal year
end 6/30/76: $148,012,000
FYE 6/30/77: $185,557,000

WSJ 11/10/78

CEO:
Poovey & Toops report to mgt committee

THE COMPANY

- Planning Research Corporation (PRC) has two basic business components: Planning, Engineering, and Architecture; and Information and Management Sciences. With capabilities in over 100 disciplines, PRC considers itself the world's largest diversified professional services organization specializing in serving government, business, and industry.

- Total PRC revenues grew from $135.3 million to $148.0 million between 1975 and 1976, an increase of 9.3%. Earnings during this time grew less than 1%. In fiscal year 1977, both revenues and earnings are expected to grow 20%. Earnings for the third quarter fiscal year 1977 were $921,000, a 19% increase over third quarter 1976.

- Between 1976 and 1977, the Planning, Engineering, and Architecture groups revenues are expected to grow from $62.7 million to nearly $100 million. The Information and Management Sciences group revenues are expected to grow from $60.6 million to approximately $85 million in the same period.

- PRC recently announced a major reorganization. Effective September 1, 1977, it will be implemented over a several month period. The essential elements of the reorganization are:

 - Corporate offices have moved from Los Angeles to Washington, D.C. as the majority of PRC and subsidiary revenues are derived from the Chicago, New York, Washington, D.C. areas.
 - William K. Hodson, President and Chairman for the past four and one-half years, resigned rather than relocate. He will continue as a consultant to the Board of Directors, according to PRC.
 - Harrison A. Price, formerly ~~Senior Vice President of Corporate Marketing, was named~~ Chairman, resigned Chair & Director. Remain consultant.
 - Jack D. Little, formerly ~~Vice~~ President ~~and Group Manager of PRC Information and Management Sciences Company~~, was named EVP President.
 - Jerome M. Fischer ~~and John M. Toups~~ were named Executive Vice Presidents of Planning, Engineering, and Architecture, ~~and Information and Management Sciences respectively~~. David P. Barnhill was named Senior Vice President of Finance and Administration.

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- The company has a healthy financial posture, a record of growth and accomplishment for the past 4 years, and compound annual growths exceeding 25% for the last ten years. These positive factors give PRC an excellent opportunity to continue growth rates similar to, or better than, those in the past.

- Its weakest areas are in corporate marketing to new markets and lack of unified, well established corporate image. To strengthen these weaknesses, PRC recently created a new centralized corporate marketing group. Although corporate management believes that PRC and its subsidiaries are best suited to a "federally decentralized" form of organization, a greater emphasis will be placed on the corporate name. This is expected to strengthen PRC's corporate image and will be the focus of an advertising campaign planned for Fall 1977.

 - PRC Information Sciences has a strong marketing force in existing markets.

KEY PRODUCTS AND SERVICES

- Typical projects for the Planning, Engineering, and Architecture group have included automating traffic signal systems, water pollution control facilities design, airport and community plans, and irrigation design projects.

- Computer services are offered through the Information and Management Sciences group.

 - Its revenues are segmented as follows:

Professional Services	65%
Facilities Management	15%
Turnkey Systems	10%
Processing Services	10%

 - Its areas of greatest growth are turnkey systems, real estate, tax assessment, health services, facilities management contracts for state and local government, and command and control systems for DOD agencies.

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- The Information and Management Sciences group, really a collection of subsidiaries and affiliates, consists of the following companies:

COMPANY NAME	NO. OF EMPLOYEES
Data Services	1000
Information Sciences	540
Logica (Affiliate)	500 — divested
Technical Applications	270
Computer Center	250
Maynard	200
Realtronics Computer Systems	100
Public Management Systems	75
Jacobs	40

Renata Graphic (3/77)
Consoer & Assoc. (9/76)

- Services provided by each company are:
 - Data Services Co. provides professional services and facilities management. Its major FM contract is with the National Aeronautics and Space Administration headquarters. This is PRC's low overhead government support contracts division.
 - Information Sciences Co. provides the largest portion of revenues. It offers professional services, medical claims processing, and micrographic services, primarily for federal government agencies. Contracts include a CHAMPUS contract for claims processing with the federal government and micrographic contracts with the Air Force and Navy Bureau of Personnel.
 - Logica Ltd. provides consulting in many areas of the computer services industry, including communications, banking systems, and systems software. It also markets a word processing system.
 - Technical Applications provides parts provisioning, safety engineering, and training services. Primary user is the Department of Defense.
 - PRC Computer Center, Inc. provides local batch processing services. It also offers some remote computing and some processing support for facilities management contracts.
 - Maynard, Inc. offers management consulting services. It has studied productivity, product management, operations, organization, and maintenance.
 - Realtronics provides a real estate multiple listing service. It offers a turnkey system based on a Hewlett Packard minicomputer and Texas Instruments terminals. To date, 21 systems have been installed. Users include four of the top five multiple listing real estate companies.

Wayne Shelton - Pres.

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- Public Management Systems specializes in the development of automated criminal justice systems for state and local governments. It is currently under contract to develop a system for New Zealand. Past contracts have included development of fire department command and control systems, police information and training systems, and court systems.
- Jacobs, Inc. offers data processing and management consulting services to city tax assessors. Jacobs has developed a model for computer assisted evaluation and data base management of tax assessment files. Typical contracts have been with the cities of Erie, New York and West Hartford, Connecticut.

INDUSTRY MARKETS The federal government continues to be a major user of services provided by the Information and Management Sciences group, as shown below:

Federal Government	60%
International (mostly commercial contracts)	20%
State & Local Government	10%
Misc. Industry Sectors	10%

GEOGRAPHIC MARKETS PRC and its affiliates and subsidiaries service clients throughout the U.S. and the world. PRC currently maintains some 200 offices in 54 countries in addition to regional headquarters in Los Angeles, McLean, and London.

COMPUTER HARDWARE AND SOFTWARE PRC's subsidiary, PRC Computer Center, has an IBM 370/158 and an IBM 370/155 in McLean for its batch and remote batch processing services.

September 1977
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COMPANY PRC

FY 6/30

FISCAL YEAR	ANNUAL REVENUE ($millions)	ANNUAL GROWTH RATE (%)	COMMENTS
1971	83		Acquisitions:
		18	1978: Data Dissemination Systems, Inc.
1972	98		American Data Systems
		12	1977: Reality Graphic
1973	98 110		1976: Conser Townsend & Associates
		23	
1974	110 135		
		10	
1975	135 148		? dissolved into Woodward?
		26	
1976	148 186		
		21	
1977	186 225		
		%	Previous years Average
1978	260	18 %	1977-1978
		18 %	Max Rate Projected
			Min Rate Projected

	Max Revenue	Min Revenue	Avg. Revenue
1979	$ 300 M		
1980	360 M		
1981	420 M		
1982	500 M		
1983	585M		

	Company	Total Revenues - Fiscal Year End 1978	1977	1976	1975	Acquisition Information: Acquired Company	Place	Date	Rev.
0.	UCCS 2/28	48.89	41.70	35.60	32.61	Zytron (agreement) TBS Comp Ctrs. RTW Computer Network		5/78 1974	±18m (2/78)
	DRC 6/30		185.56	148.01	135.34	Consor: Townsend & Assoc Realty Graphic	LA	6/76 ~~1976~~ ? 3/77	cons. eng. 25m multi-listing pub
	Cptr Soc		89.61	83.20	74.87	Data Dissimulation Sys American Data Sys	Long Beach Ct.	1978	? auto text & graphic mgt cons.
2.	Rapidata 12/31	3/31 - 4.80	17.91	15.62	14.77	ACIS Div Kearfott		mid 77	t/s

INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

March 1996

Platinum Software Corporation

Chairman: Carmelo Santoro
President & CEO: L. George Klaus
195 Technology Drive,
Irvine, CA 92718-2402
Phone: (714) 453-4000
Fax: (714) 453-4091

Status:	Public
Employees:	496 (6/95)
Revenue:	$56,153,000
Fiscal Year End:	6/30/95

Key Points

- Platinum Software Corporation is a provider of flexible, high-performance client/server financial accounting applications.
- In February 1996, Platinum announced the appointment of L. George Klaus as its new chief executive officer and president. Klaus has a history of rebuilding the corporate stability of high technology companies, including Frame Technology, Cadence Design Systems/VALID and Hughes LAN Systems.
- In February 1996, the company announced that it had eliminated approximately 60 positions (15% of its workforce) in an effort to further reduce expenses.
- During the second quarter of fiscal 1996, the company announced it would no longer be actively marketing the Platinum® SQL Enterprise product that ran on the Sybase database and UNIX operating system.
- In October 1995, the company discontinued its direct sales force and instituted a two-tiered, indirect distribution system.

Company Description

Platinum, founded in 1984, designs, develops, markets and supports an integrated family of financial management software products.

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The company's core product line, the Platinum Series, was the first financial accounting software product designed for LAN-based environments. In 1992, Platinum released SeQueL to Platinum®, the first financial accounting product designed for client/server computing.

Platinum made its initial stock offering in October 1992. In fiscal 1995, it completed two private placement stock offerings to venture capital investors, raising $32 million.

- In May 1995, the company issued 0.23 million shares of newly created preferred stock for $18.2 million.
- In September 1994, the company issued 2.5 million shares of newly created preferred stock for $13.8 million.

Structure and Operations

Headquartered in Irvine (CA), Platinum has domestic sales offices in Atlanta, Boston, Chicago, Dallas, Orange County (CA), New York, San Francisco, Seattle, and Washington D.C. International sales offices are located in Toronto and Calgary (Canada), Auckland (New Zealand), London (U.K.), Sydney and Melbourne (Australia), and Kuala Lumpur (Malaysia).

Platinum has six international operating subsidiaries: Platinum Software Canada, Ltd., Platinum Software (Australia) Pty. Limited, Platinum Software (New Zealand) Limited, Platinum Software (U.K.) Limited, Platinum Software (Ireland) Limited, and Platinum Software Corporation Sdn.

Company Strategy

As a result of change in management, the company is currently redefining its strategies.

Financials

Platinum's fiscal 1995 revenue reached $56.2 million, a 5% increase over fiscal 1994 revenue of $53.4 million. The company recorded net losses of $5.7 million in fiscal 1995, as compared to losses of $59.3 million in fiscal 1994.

In the five-year financial summary shown on the following page, figures for fiscal 1994, 1993, and 1992 are restated to reflect the restructuring of Platinum's business operation. These include revisions in revenue recognition, changes in the accounting treatment for several acquisitions made in fiscal 1993 and the second quarter of fiscal 1994, and other accounting corrections and adjustments.

Software development expenditures were approximately $17.3 million (31% of revenue) in 1995, compared to $21.9 million (41% of revenue) in 1994 and $7.3 million (26% of revenue) in 1993.

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Platinum Software Corporation
Five-Year Financial Summary
($ Millions, except per-share data)

Item	Fiscal Year 6/95	6/94(a)	6/93(a)	6/92(a)	6/91
Revenue	$56.2	$53.4	$28.1	$15.0	$11.1
• Percent change from previous year	5%	90%	87%	35%	25%
Income (loss) before taxes	($5.7)	($59.3)	($17.2)	$0.4	$0.2
• Percent change from previous year	90%	(245%)	*	100%	100%
Net income (loss)	($5.7)	($59.5)	($17.2)	$0.3	$0.2
• Percent change from previous year	90%	(246%)	*	50%	100%
Earnings (loss) per share	($0.44)	($4.80)	($1.68)	$0.04	$0.04
• Percent change from previous year	91%	(186%)	*	-----	100%

* *Percent change greater than 1,000%.*

(a) Restated financial results reflect accounting changes pertaining to license revenue recognition and treatment of several acquisitions made during fiscal 1993 and the second quarter of fiscal 1994.

Revenue Analysis by Product Line:

Approximately 64% of Platinum's fiscal 1995 revenue was derived from software products, 21% from professional services, 14% from support services, and 1% from royalty income.

In the three-year source of revenue summary shown on the following page, figures prior to fiscal 1995 are restated to reflect the restructuring of Platinum's business operations.

Revenue from software product license fees rose to $35.7 million in fiscal 1995, a 19% increase over license revenue of $30 million in fiscal 1994. This growth was attributed to:

- An increased number of modules of Platinum SQL Enterprise, resulting in approximately $11.1 million in sales of that product line compared to $9.3 million for the line in fiscal 1994
- Revenue of $3.2 million generated from the company's Platinum SQL NT product line, released in December 1994
- Previously deferred license revenue of $8.5 million, as part of a fiscal 1994 restructuring

Licenses of the DOS-based Platinum applications comprised 50%, 28%, and 16% of total revenue in fiscal years 1993, 1994, and 1995, respectively.

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Platinum Software Corporation
Three-Year Source of Revenue Summary
($ Millions)

	Fiscal Year					
	6/95		6/94 (a)		6/93 (a)	
Products/Services	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
License fees	$35.7	64%	$30.0	56%	$17.4	62%
Consulting and professional services	11.5	21%	11.0	20%	2.4	8%
Support services	8.5	14%	5.7	11%	2.6	10%
Business forms sales	----	----	6.7	13%	5.7	20%
Royalty income	0.5	1%	----	----	----	----
Total	$56.2	100%	$53.4	100%	$28.1	100%

(a) Restated financial results

Consulting and professional services revenue rose 25%, from $8.4 in fiscal 1994 to $10.8 million in fiscal 1995, excluding revenue from certain custom software development operations that were sold in 1994. This increase was primarily attributed to an increase in software implementation services related to Platinum SQL Enterprise licenses.

Revenue from support services increased approximately 47% from fiscal 1994 revenue of $5.7 million to $8.4 million in fiscal 1995. This growth was credited to an overall rise in the installed base of the Platinum SQL Enterprise product line.

Interim Results

Platinum's revenue for the six months ending December 31, 1995 was $22.8 million, a decrease of 18% from revenue of $27.9 million for the same period in 1994.. Net losses were $15.4 million, compared to net losses of $2.8 million for the same period a year ago.

- Revenue declines were attributed primarily to the decline in licensing revenue from the company's Platinum SQL Enterprise product during the period.
- During the second quarter of fiscal 1996, the company recorded a restructuring charge of $5.6 million related to the elimination of the direct sales force and the elimination of the Platinum SQL Enterprise product that ran on the Sybase database and UNIX system.

Market Financials

Platinum markets its products to three target segments of the client/server financial accounting software market: the enterprise segment, the middle market segment (companies with revenue of $50milliion to $500 million), and the LAN segment.

The company markets its software products to a range of industries, such as banking, financial services, technology, telecommunications, retail, manufacturing, and entertainment.

Geographic Markets

Platinum's U.S. revenue for fiscal 1995 was $38.3 million, virtually unchanged from the

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prior year. As a percentage of total revenue, U.S. revenue continued a downward trend, representing 68% of total revenue in fiscal 1995, compared to 72% in fiscal 1994 and 73% in fiscal 1993.

In the three-year geographic source of revenue summary that follows, figures prior to fiscal 1995 are restated to reflect the restructuring of Platinum's business operations.

International license revenue increased from $9.7 million in fiscal 1994 to $11.0 million in fiscal 1995. This increase was a result of the increased sales of Platinum SQL Enterprise and of the Platinum DOS-based product in Asia/Pacific markets.

Revenue from Australasia has risen to $8.8 million in fiscal 1995, as compared to $6.8 million in fiscal 1994. Australasia revenue has continued to increase as a percentage of total revenue, from 11% in fiscal 1993 to 13% and 16% in fiscal 1994 and fiscal 1995, respectively.

Platinum Software Corporation
Three-Year Geographic Source of Revenue Summary
($ Millions)

	Fiscal Year					
	6/95		6/94(a)		6/93(a)	
Geographic Market	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
United States	$38.3	68%	$38.3	72%	$20.4	73%
Australasia	8.8	16%	6.8	13%	3.0	11%
Europe	5.2	9%	4.1	7%	2.4	9%
Canada	3.4	6%	2.7	5%	1.0	3%
Latin America	0.5	1%	1.4	3%	1.3	4%
Total	$56.2	100%	$53.3	100%	$28.1	100%

(a) Restated financial results.

Acquisitions/Divestitures

In May 1994, Platinum announced a restructuring of its business operations, including plans to sell certain operations and non-core software products in order to reduce operating expenses. During the fourth quarter of fiscal 1994, the company recorded charges of $6.7 million related to the restructuring.

Business operations and product lines sold as a result of the restructuring efforts include:

- Platinum's Latin American operation, sold in June 1994 to a newly formed company. The new company has an exclusive Latin American distribution agreement allowing the sale of Platinum's products.
- Platinum's business forms division, Altec Products, Inc., was sold in 1994. Platinum entered into a marketing agreement with the purchaser whereby it is granted exclusive rights to distribute business forms for use with Platinum's software products.
- In June 1994, the company also sold its EDI and SeQueL Cost Management product lines. Platinum retains the right

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to distribute such products to its customers.

- Platinum's FRx financial report writer software product was transferred to a newly formed company in July 1994, and Platinum retains a minority interest. Platinum retained the right to develop and market the FRx product as part of its own product line.

- Platinum sold its custom software development business to Perot Systems Corporation in August 1994. The companies entered into a joint marketing and distribution agreement whereby Perot became the preferred provider of custom software development services for the Platinum SQL Enterprise product line in the U.S., Canada, and the U.K.

- In November 1994, the company sold its Platinum Advanced Manufacturing System software and related manufacturing software applications, retaining limited distribution rights to the Platinum Advance Manufacturing System software.

- In March 1995, Platinum sold its Access to Platinum product line to an undisclosed third party.

Employees

As of June 1995, Platinum had 496 full-time employees, segmented as follows:

Marketing	42
Sales	82
Product development	144
Support services	80
Professional services	82
Finance and administration	66
	496

The company currently has 252 employees in the U.S.

Key Products and Services

Software

Platinum's software products are organized in three product lines —Platinum for Windows, Platinum SQL Enterprise (formerly named SeQueL to Platinum) and Platinum SQL NT. In addition, Platinum sells and supports Platinum-DOS software products, including its Platinum Premier Financial Applications.

Platinum for Windows and Platinum-DOS

Platinum for Windows, introduced in June 1995, is a Windows-based client/server financial accounting software package for small to medium-sized companies with PC-based LANs.

- Platinum for Windows is the next generation of the company's Platinum-DOS-based and Platinum Premier accounting applications.

- Upgrading from existing LAN-based environments allows for transitioning to client/server computing.

- Windows and DOS concurrency enables DOS customers to migrate to the Windows environment without requiring data conversion.

Platinum for Windows modules include: Premier Ledger with Platinum FRx, Premier Consolidations, Premier Currency Translation, Premier Inter-Company Processing, Foreign Currency Manager, System Manager, General Ledger, and Bank Book. The company has recently completed and released its core accounting modules for the Platinum for Windows product line (Accounts Receivable and Accounts Payable,

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Purchase Order, Order Entry, and Inventory modules).

The company also sells and supports its Platinum-DOS-based integrated financial software applications, introduced in June 1985. The core Platinum-DOS-based accounting modules include General Ledger, Accounts Receivable, Accounts Payable, Inventory, Order Entry, and Consolidations. Platinum Premier Financial Applications are offered for larger customers.

Platinum SQL Enterprise

Platinum SQL Enterprise, formerly named SeQueL to Platinum, is a client/server financial and management information software application.

- Its current release operates on the Windows NT server platform.
- The following modules are currently available: General Ledger with Platinum FRx and System Manager, Multi-Currency Manager, Accounts Receivable, Accounts Payable, Tools, Inventory Control, Cash Management, Order Entry, Publisher, Purchase Order, and Asset Management.

In late 1995, management announced its intent to no longer actively market the Platinum SQL Enterprise versions that ran on the Sybase database and UNIX operating system.

Platinum SQL NT

Platinum SQL NT, introduced in December 1994, is a client/server financial accounting software application designed for medium-sized companies and divisions of larger corporations. It is designed exclusively for the Microsoft Windows NT server platform.

Some of the new features of the Platinum SQL NT include financial alerts via E-mail and tight integration with Microsoft Office.

All core accounting modules of Platinum SQL NT are available, including: General Ledger with Platinum FRx and System Manager, Multi-Currency Manager, Accounts Receivable, Accounts Payable, Tools, Inventory Control, Cash Management, Order Entry, Publisher, and Purchase Order and Asset Management.

Other Products

Platinum also offers a line of integration kits and database products that support its Platinum for Windows and Platinum-DOS-based line of software products. It licenses these products to its authorized dealers, distributors, consultants, and end users.

Platinum also serves as an OEM vendor for certain third-party software applications.

Professional Services

Platinum's professional services division, formed in July 1992, provides consulting services to customers in the design and implementation of the company's software products, as well as education, training, and other services.

The professional services division functions in domestic and international markets and primarily focuses on larger corporate accounts.

With the new indirect product distribution system, this division is now providing formal training to dealers and distributors selling and supporting the Platinum SQL NT product.

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Technical Support and Software Maintenance

Platinum provides technical support through telephone, E-mail and facsimile support, and an electronic bulletin board via CompuServe.

Telephone support is available 24 hours a day, five days a week, via three support centers in Dublin (Ireland), Sydney (Australia), and Irvine (CA).

Comprehensive training, telephone consultation, and product support is provided for all the company's authorized dealers, distributors, and consultants in order to maximize customer satisfaction.

Marketing and Sales

In October 1995, Platinum announced its intent to discontinue its direct sales force and focus product distribution through third-party VARs (value-added resellers).

Platinum products are now sold exclusively through its distribution channel of 600 Platinum for Windows and 75 Platinum SQL NT authorized dealers and VARs. By June 1996, the company expects to expand its Platinum SQL NT VAR channel to 150.

Currently, products are sold in Europe (including Russia), Latin and South America, Africa, Asia and the Middle East through third-party distributors and dealers.

Clients

Platinum has a total installed base of more than 40,000 customers worldwide, including Wall Street brokerage firms, banks, insurance companies, universities and manufacturing firms.

Representative customers include George Weston Limited (Canada), University of Virginia's Health Services Foundation, and Cogen Technologies (TX).

Alliances

In addition to its strategic relationship with Microsoft Corporation, Platinum has software partnerships with Action Technologies, Btrieve Technologies, Mystic River Software and Watermark.

Key hardware partnerships are in place with Compaq, Digital, Hewlett-Packard, IBM and NEC.

Competition

Platinum competes in three segments of the client/server financial accounting software market.

Competitors in the enterprise segment include PeopleSoft, Inc., Lawson Corporation, Dun & Bradstreet Software Services, Inc., SQL Financials, and Oracle Corporation.

In the middle market (companies with revenue from $50 million to $500 million), Platinum competes with Lawson Corporation, SAP, Oracle Corporation, FlexInternational Software, Inc., Solomon Software, and Great Plains Software.

In the North American LAN market, Platinum's competitors include Great Plains Software, Macola, Inc., Solomon Software, and State Of The Art, Inc. Outside North America its competitors in the LAN market include Scala and Systems Union, Ltd.

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

June 1994

Platinum Software Corporation

Chairman & CEO: Carmelo Santoro
President & COO: David Proctor
15615 Alton Parkway,
Irvine, CA 92718
Phone: (714) 727-1250
Fax: (714) 727-1255

Status:	Public
Employees:	450 (6/94)
Revenue:	$28,050,000
Fiscal Year End:	6/30/93

Key Points

- Platinum Software Corporation develops and markets LAN-based and client/server financial software products.
- In May 1994, the company announced its new organizational structure based on three separate business units that focus on the company's core products—*Platinum*® and *SeQueL to Platinum*®. As part of this restructuring effort, Platinum will reduce its workforce by approximately 30%.
- In March 1994, Platinum announced its new Support Services Division within the Professional Services business unit, that is designed to meet the needs of its growing base of multi national companies adapting to the SeQueL to Platinum client/server systems.
- In May 1994, the company restated its financial results including the quarter and fiscal year ending June 30, 1992, the quarterly results throughout fiscal 1993 and the first two quarters of fiscal 1994 to reflect revisions in revenue recognition regarding software licenses, acquisitions and other adjustments.

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- In September 1993, Platinum effected a three for two stock split in the form of a 50% stock dividend.

- In May 1993, Platinum became a member of the Sybase Open Solutions Program to partner with Sybase in delivering client/server solutions to mutual customers.

Company Description

Platinum, founded in 1984, designs, develops, markets and supports an integrated family of financial management software products, including Platinum—a LAN-based financial and accounting software and SeQueL to Platinum—a client/server-based financial management system.

Structure and Operations

Headquartered in Irvine (CA), Platinum has domestic offices in Atlanta, Boston, Chicago, Dallas, Metro New York/New Jersey and Seattle. Worldwide offices are in Canada, Europe, Australia, New Zealand, Malaysia and Latin America.

Platinum has announced plans to restructure its operations to better focus on two primary markets—the PC-LAN market with its Platinum product line; and the client/server market with its SeQueL to Platinum products.

Platinum will now be organized into three business units supported by four functional groups as follows:

- The Platinum business unit will focus on small- and medium-sized organizations that require a tightly integrated set of financial applications optimized to run on LANs.

- The SeQueL to Platinum business unit will target medium and large organizations that need financial applications optimized for the client/server computing environment.

- The Professional Services business unit will focus on providing systems integration, training and education services to customers of its SeQueL to Platinum product line.

The four service groups supporting these business units include:

- Finance and administration
- Technology research
- Sales
- Corporate Marketing

Company Strategy

Platinum is adopting a new international distribution strategy for geographic areas outside of North America and the U.K. The company plans to create independent organizations that will be responsible for sales, distribution and localization of all Platinum products sold within their respective markets.

Platinum's product strategy is focused on providing an integrated family of financial management software products from entry-level and mid range systems to mission-critical client/server systems.

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Financials

Total fiscal 1993 revenue reached $28.1 million, a 87% increase over fiscal 1992 revenue of $15.0 million. The company had a net loss of $17.2 million in fiscal 1993 (including one-time charges related to acquisitions), compared to a net income of $300,000 in fiscal 1992. A five-year financial summary follows:

Platinum Software Corporation
Five-Year Financial Summary
($ Millions, except per share data)

Item	Fiscal Year				
	6/93 (a)	6/92 (a)	6/91	6/90	6/89
Revenue	$28.1	$15.0	$11.1	$8.9	$5.9
• Percent increase from previous year	87%	35%	25%	51%	N/A
Income (loss) before taxes	($17.2)	$0.4	$0.2	$0.1	($0.7)
• Percent increase (decrease) from previous year	*	100%	100%	114%	N/A
Net income (loss)	($17.2)	$0.3	$0.2	$0.1	($0.6)
• Percent increase (decrease) from previous year	*	50%	100%	116%	N/A
Earnings (loss) per share	($1.68)	$0.04	$0.04	$0.02	($0.11)
• Percent increase (decrease) from previous year	*	--	100%	118%	N/A

* *Decrease greater than 1000%*

(a) Restated financial results reflect revisions in revenue recognition regarding software licenses and incorporate a modification in the manner in which several acquisitions completed in the fourth quarter of fiscal 1993 and the second quarter of fiscal 1994 were accounted for.

Software development expenditures were approximately $7.3 million (26% of revenue) in 1993, compared to $3.5 million (23% of revenue) in 1992, and $4.3 million (39% of revenue) in 1991.

Interim results: Revenue for the nine months ending March 31, 1994 reached $40.2 million, a 110% increase over $19.1 million for the same period in 1993. Net loss for the period was recorded at $25.6 million as compared to a net loss of $885,000 for the same period in 1993.

- The net loss for the period includes a one-time charge of $3.6 million related to an acquisition.
- As a result of reorganizing its operations, the company also incurred restructuring charges of $15 million, which will be taken into account in the fourth quarter ending June 30, 1994.

Market Financials

Platinum markets its software products to organizations of all kinds and sizes. The company's customer base includes

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companies in industries such as; banking, financial services, technology, telecommunications, retail, manufacturing and entertainment.

The company has a total installed base of over 40,000 customers worldwide.

Revenue Analysis by Product Line:

Approximately 62% of Platinum's fiscal 1993 revenue was derived from software products, 18% from professional services, and 20% from sales of business forms. A three-year summary of source of revenue follows:

Platinum Software Corporation
Three-Year Source of Revenue Summary
($ Millions)

	Fiscal Year					
	6/93 (a)		6/92 (a)		6/91	
Products/Services	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
License fees	$17.4	62%	$7.0	47%	$2.5	23%
Royalty income	--	--	1.9	13%	3.5	32%
Consulting and support services	5.0	18%	1.3	8%	1.2	11%
Business forms sales	5.7	20%	4.8	32%	3.8	34%
Total	$28.1	100%	$15.0	100%	$11.1	100%

(a) Restated financial results

Revenues from software product license fees increased 149% from fiscal 1992 to fiscal 1993. This growth was attributed to:

- Resumption of marketing and distribution of the Platinum product line by the company on January 1, 1992
- Expansion of the domestic sales force
- Revenue from sale of the new SeQueL to Platinum product line

Revenues from royalty income in fiscal 1993 decreased by $1.9 million from fiscal 1992 due to the termination of the agreement with IBM.

Revenues from consulting and support services increased approximately 285% from fiscal 1992 to fiscal 1993. This growth was attributed to:

- Increase in the company's software implementation services connected with SeQueL to Platinum licenses
- Increase in installed customer base

Revenues from sale of business forms increased 19% from fiscal 1992 to fiscal 1993. This growth was due to an increase in the installed base of Platinum customers.

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Acquisitions/Divestitures

After reviewing all products outside if its core financial software applications (many of which had been previously acquired) Platinum has announced its intention to sell certain products to independent entities in which the company may retain a minority interest. Products subject to sale include Cost Management, Advantage (sales force automation software) and Manufacturing among others.

After these sales have been completed, each new company will be responsible for the individual businesses. Platinum may retain rights to co-market these products.

Employees

As of November 1993, Platinum had 625 employees. The company currently has approximately 450 employees.

Key Products and Services

Platinum's software offerings fall into two main product groups—Platinum Product Series and SeQueL to Platinum.

Platinum Product Series

The Platinum Product Series is a financial solution for small to medium-sized businesses operating in LAN-based computing environments. It consists of two product lines:

- Platinum Financials is a set of applications for LAN-based businesses. It allows for multi user, real time access to financial data on networks that support up to 50 users. The primary Platinum Financials modules are described in Exhibit A.
- Platinum Premier is a line of applications for high-end financial modules for businesses with sophisticated financial organizations. Platinum Premier's Financial application modules include:

 - Premier Ledger
 - Premier Financial Reporting Extender
 - Premier Consolidation
 - Premier Multi-Currency Translation
 - Inter-Company Processing

The company no longer actively markets the Platinum Premier EDI Application and the Platinum Advanced Manufacturing System modules.

SeQueL to Platinum

SeQueL to Platinum is an integrated line of financial accounting software that supports Microsoft Windows and OS/2 Presentation Manager clients and runs on OS/2 and Windows NT, NetWare and UNIX servers.

SeQueL to Platinum modules are described in Exhibit B.

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Exhibit A

Platinum Financials	
Module	**Features**
System Manager	Controls menu structures, printing and interactions with the network
General Ledger	Allows users to post and accumulate transactions from manual entry and other Platform modules
Consolidations	Enables businesses to compile and produce reports based on consolidated financial information
Accounts Receivable	Processes all sales, cash receipts and receivables management functions
Accounts Payable	Manages receipt and payment information for goods and services
Order Entry	Manages work order and sales order processing
Inventory	Tracks inventory items and quantity levels
Purchase Order	Manages ordering and purchasing of goods and materials and creation of purchase orders
Payroll	Prints checks, calculates wages and tax withholdings and retains updates to employee payrolls
Manufacturing	Supports key procedures such as bills of material, scheduling and production commitment
Job Cost	Tracks costs by separate categories
Job Cost Interfaces	Integrates Job Cost module with other modules to process transactions
Bank Book	Generates cash balance reports
Enhanced Spreadsheet Interface	Allows Platinum data to be selectively extracted for use with third-party spreadsheets & wordprocessors
FRx for Windows	Generates sophisticated reports
Foreign Currency Manager	Maintains budgeted and actual buy and sell exchange rates
Resource Manager	Provides object-oriented tools modification of Platinum menus and zoom windows

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Exhibit B

SeQueL to Platinum	
Module	**Feature**
System Manager	Allows broad configuration control for user identification and security rights
General Ledger	Allows broad control over type and format of information analyzed and reported and provides unlimited availability of data while maintaining ready accessibility of historical information for comparative reporting
FRx for Windows	Generates a range of summarized or detailed sophisticated financial reports
Accounts Receivable	Accommodates a variety of transactions, including standard cash receipts, voids, write-offs and non sufficient funds transactions and allows users to define up to six account aging brackets
Accounts Payable	Handles transactions such as vouchers, cash disbursements, discounts and quick checks and allows users to define up to six aging brackets for payables
Inventory	Tracks inventory using multiple levels of identification, such as item codes, transaction control numbers, serial/lot numbers and kits
Order Entry	Manages work order and sales order processing and updates records in inventory and accounts receivable modules
Cash Management	Automatically records cash disbursements and receipts, generates cash transaction and account balance reports and reconciles general ledger cash accounts
SeQueL Publisher	Allows users to create, view and edit reports as well as combine and import report information from any database on the server

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Professional Services

The company formed a new Support Services Division within its Professional Services Business unit, designed to meet the needs of its growing base of multi-national companies adapting the SeQueL to Platinum client/server systems. It is divided into three departments:

- Customer Support—provides 24-hour localized support for SeQueL to Platinum users from offices in Irvine (CA), Boston (MA), Portland (OR), Dublin (Ireland), Auckland (New Zealand) and Melbourne (Australia).
- Customer Satisfaction—monitors customer satisfaction levels through feedback from customers.
- Field Services—provides on-site troubleshooting and expert assistance to customers, through regionally located engineers.

Platinum provides consulting and support services to its customers through a consulting team and On-Line Customer Solutions.

On-Line Customer Solutions are a range of rapid-response support services that include:

- Automatic Call Distribution—an automatic call routing system
- Knowledge-Base—a system based on Scopus, with answers to most frequently asked questions about Platinum
- Software Updates—uses the Knowledge-Base information, quality testing and customer feedback to update product features between new version releases
- 24-hour Bulletin Board Service (BBS)—available through Compuserve and gives customers access to technical information

Marketing and Sales

Platinum markets Platinum Financials and Platinum Premier product lines through its direct sales force and indirect sales distribution channels.

The SeQueL to Platinum product line is marketed through a worldwide direct sales and service organization and a VAR channel.

- The company has over 1,000 authorized value-added resellers (VARs), dealers and consultants worldwide.
- The direct sales force is divided into teams of an account executive and a sales engineer.

The company has wholly owned subsidiaries in Canada and the U.K. and 13 sales offices across the country. It is planning to create independent organizations that will handle sales, distribution and localization of all Platinum products sold within their respective markets.

Clients

The Platinum Product Series client list includes—AST, B.F. Goodrich, Blockbuster Video, Connecticut Mutual

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Life, Penzoil, Pepsico and Sears among others.

The SeQueL to Platinum customers include—AT&T, Barclays Bank, Burton Snowboards, Century 21, Clark Oil, GE Capital, Global Marine, General Cinema, Microsoft, Occidental Petroleum and Voest Alpine among others.

Alliances

Platinum has formed partnerships with hardware and software vendors such as DEC, HP, Sun, Sequent, Data General, Sybase and Microsoft as well as alliances with Andersen Consulting and Price Waterhouse.

Platinum entered into the following alliances over the past year:

- In May 1993, Platinum entered into a partnership agreement with Sybase and became a member of the Sybase Open Solutions Program to deliver client/server solutions to customers.
- In March 1993, Platinum formed a marketing agreement with Sun Microsystems. Platinum is now an authorized reseller of Sun hardware.

Competition

Platinum's major competitors include mainframe- and client/server-based players.

Some of Platinum's competitors in the middle/high-end LAN market include—Computer Associates International, Great Plains Software, Macola, State of the Art and Solomon Software in the U.S. and Systems Union, Pegasus and Scala internationally.

In the client-server/mini-mainframe market, the company's competes with Dun & Bradstreet Software Services, J.D. Edwards and Co., Ross Systems, Software 2000, Oracle (Financials) and PeopleSoft.

INPUT Assessment

Platinum's major strength lies in its financial and management information software product offerings. The company is well established in the LAN-based financial software market and is an up-and-comer in the emerging client/server financial applications marketplace with its SeQueL to Platinum product line.

Some of the challenges the company faces are to successfully implement its restructuring plans, overcome the recently announced revenue recognition problems, regain financial stability and prove its credibility to its customers.

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COMPANY BRIEF

Cross Industry: Sales, Marketing, and Distribution

Plum Systems
23925 Commerce Park Road
Cleveland, OH 44122
(216) 831-0430

CEO: James C. Spira, President
Division of: Cleveland Consulting Associates (partnership)
Founded: 1983

Employees: 40 (11/86)
Revenue (FYE 3/31/86): $2.5 million*

The Company: Plum Systems provides logistics software products and professional services related to distribution applications

Sources of Revenue:
- Professional Services (80%)
- Application Software (20%)

Key Products and Services:
- Professional Services
 - Plum Systems' professional services include systems consulting and custom software development. These services generally relate to the distributor's daily operations and involve production scheduling, order entry, vehicle scheduling, and more. Projects vary in length from two months to three years.

- Application Software Products (Utilizes IBM and compatible microcomputers)
 - Plum Systems provides three microcomputer application software products for distribution. These products are strategic planning packages that consider costs associated with distribution, the number of distribution locations, inventory stocking policies, and shipping parameters so that the distributors can provide the level of service required at the lowest cost.
 - LOCATE2 is a simulation approach that looks at shipping parameters versus capacity constraints. The product is marketed to distributors operating from distribution centers.
 - LOCATE3, introduced in September 1986, optimizes minimum and maximum capacity constraints at the plant and distribution center levels.
 - LOCATE3 PLUS, introduced in September 1986, combines LOCATE2 and LOCATE3 functions.

*INPUT estimate

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Geographic Markets:
- U.S. (95%)
- Europe (5%)
- Sales Offices: Cleveland (2), Austin, and Dublin (Ireland)

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

July 1995

Policy Management Systems Corporation

President & CEO: G. Larry Wilson
One PMSCenter
P.O. Box Ten
Columbia, SC 29202
Phone: (803) 735-4000
Fax: (803) 735-6980

Status:	Public
Employees:	4,678 (12/94)
Revenue:	$ 492,700,000
Fiscal Year End:	12/31/94

Key Points

- Policy Management Systems Corporation (PMSC) is a leading provider of outsourcing, processing and professional services and software products to the insurance industry.
- In June 1995, PMSC sold its Health Insurance Systems Division, to focus on the company's core business—property, casualty and life insurance industries.
- In December 1994, PMSC strengthened its position in Europe and other foreign markets, by acquiring Creative Group Holdings Limited, a U.K.-based provider of software solutions and professional services to the insurance industry.
- In May 1994, PMSC repurchased approximately 2.28 million of the 3.8 million shares of its common stock held by IBM for $56.5 million. The remaining PMSC shares owned by IBM were purchased by the General Atlantic Partners group, a New York-based private investment firm. The move was part of IBM's strategy to selectively

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liquidate its portfolio of minority interest investments.

- While PMSC intends to continue to develop applications for IBM architecture platforms, it also intends to support open systems, as evidenced by its joint development/marketing agreement with AT&T Global Information Solutions.

Company Description

PMSC provides processing, professional, outsourcing, and electronic information services, applications software products, and associated support services to the insurance industry. The company has products and services that serve the needs of the property and casualty, life and health insurance markets.

PMSC was formed in 1974 as the PMS Division of Seibels, Bruce & Company.

- In September 1981, Seibels transferred the assets and business operations of the PMS Division to PMSC in exchange for shares of common stock, and PMSC agreed to provide services to Seibels at rates comparable to those charged to unaffiliated customers for similar services.

- Portions of proceeds from public stock offerings made by PMSC in 1981, 1983, 1984, and 1985 have been used to repurchase and retire PMSC common stock held by Seibels.

Prior to 1989, PMSC and IBM had worked together under various agreements. In 1989, this relationship was strengthened with IBM's acquisition of a 19.8% minority equity interest in PMSC for $116.8 million.

- IBM and PMSC agreed to work closely together to develop and market automated solutions for the insurance industry, collaborating on sales and marketing programs and systems development in the U.S. and Europe.

- In early 1992, PMSC and IBM's services subsidiary, Integrated Systems Solutions Corporation (ISSC), announced an agreement to jointly provide outsourcing services to the entire insurance industry—property and casualty, life and health.

- As of December 31, 1993, IBM's ownership interest in PMSC was 16.8%.

- In May 1994, PMSC repurchased approximately 2.28 million of the 3.8 million shares of its common stock held by IBM for $56.5 million. The move was part of IBM's strategy to selectively liquidate its portfolio of minority interest investments. The remaining PMSC's shares owned by IBM are being purchased by the General Atlantic Partners group, a New York-based private investment firm.

- PMSC will continue to partner with IBM in the insurance industry.

Organization and Structure

PMSC is organized into the following groups:

- The Property and Casualty Insurance Group—This group is responsible for marketing and supporting the company's property and casualty products and services.

- The Life Insurance Group—This group is responsible for marketing and support of the company's life products and services.

- Information Services—This group is responsible for the development and

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marketing of the company's information services products.

- The Industry Markets Group—Headed by Donald A. Coggiola
- The Total Policy Management Group—This group is responsible for systems operations/outsourcing services
- The Corporate Services Group—Headed by Robert L. Gresham
- The Financial Services Group—Headed by Timothy V. Williams

In June 1995, PMSC sold its Health Insurance Systems Division, to focus on the company's core business—property, casualty and life insurance industries.

- The division was bought by Health Information Systems Corporation for approximately $9.3 million.
- The health division reported a revenue of $3.8 million (less than 3% of PMSC's revenue) in the first quarter of 1995.

Company Strategy

PMSC's strategy includes the following:

- Building a larger base of recurring systems licensing and services revenues. Since 1987, the company has increased its emphasis on the processing services market and providing a range of systems operations/outsourcing services.
- Attempting to direct more of its information services business into database products and life information services where margins are generally higher. Property and casualty information services gross margins are typical lower.
- Successfully integrating CYBERTEK's product line with PMSC's Series III platform and attaining profitability for the life insurance business
- Regaining growth and profitability in Europe

Financials

PMSC's 1994 revenue was $492.7 million compared to 1993 revenue of $453.1 million. Net losses were $9.7 million for 1994, compared to net losses of $56.1 million for 1993.

A five-year financial summary appears on the following page.

The 1994 results were attributed to the following:

- Revenue from initial licenses increased $11.6 million (44%) compared to 1993, primarily due to new systems licensed by life and health insurers and an expanded license agreement with a large Blue Cross Blue Shield organization.
- Initial licensing revenues from property and casualty insurers decreased $5.3 million (20%) in 1994. Although, majority of this revenue was generated during the second half of the year, due the growing customer acceptance of PMSC's Series III and POINT system.
- Monthly license revenue for 1994 increased $2.8 million (6%) during 1994 due to licenses acquired as part of the CYBERTEK acquisition in 1993, as well as other new licensing activities in the life insurance market.

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Policy Management Systems Corporation
Five-Year Financial Summary
($ Millions, except per share data)

Item	Fiscal Year				
	1994	1993	1992	1991	1990
Revenue	$492.7	$453.1	$489.3	$411.2	$341.7
• Percent change from previous year	9%	(7%)	19%	20%	N/A
Income (loss) before taxes	($18.5)	($66.4)	$90.8	$72.8	$55.4
• Percent change from previous year	(72%)	(173%)	25%	31%	N/A
Net income (loss)	($9.7)	($56.1)	$61.5	$42.6	$37.2
• Percent change from previous year	83%	(191%)	44%	15%	N/A
Earnings (loss) per share	($0.46)	($2.46)	$2.65	$2.21	$1.92
• Percent change from previous year	81%	(193%)	20%	15%	N/A

Revenue Analysis by Product / Service

A three-year summary of PMSC's revenue by product/service follows:

PMSC continued to enhance its position as a provider of a full range of business solutions to the insurance industry.

Policy Management Systems Corporation
Five-Year Financial Summary
($ Millions)

	Fiscal Year					
	1994		1993		1992	
Product/Service	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
Professional services & outsourcing	$208.6	42%	$183.5	41%	$256.9	53%
Electronic information services	193.0	39%	191.7	42%	154.8	32%
Software licensing	89.1	18%	74.8	17%	72.9	15%
Other	2.0	1%	3.2	1%	4.6	1%
Total *	$492.7	100%	$453.1	100%	$489.3	100%

* *Differences due to rounding.*

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Electronic information services revenue rose by 0.7% during 1994 as compared to 1993. This increase was primarily related to $2.5 million of life information services, partially offset by declines in risk services.

Professional and outsourcing services revenues for 1994 increased due to additional services from existing and new contracts with property and casualty insurance companies, as well as an increase in services arising out of the acquisition of CYBERTEK Corporation.

Interim Results

Revenue for the three months ending March 31, 1995 reached $133.4 million, compared to $115.9 million for the same period in 1994. Net income was $11.3 million, compared to net income of $5.6 million for the same period a year ago.

- Approximately 72% of revenues came from property and casualty, 25% from life and 3% from health.
- Total licensing revenue for the period reached $25.5 million, a 55% increase over the same period in 1993.
- Professional services and outsourcing revenue increased 21% to $61.2 million in 1995, compared with $50.4 million for the first quarter of 1994.

Market Financials

Virtually 100% of PMSC's 1994 revenue was derived from the insurance industry.

PMSC's target market for its products and services is over 3,200 property and casualty insurance companies, over 6,000 group life and health providers as well as independent agents and adjusters in the U.S. and Canada. The company also offers its software products and related automation support services in other foreign countries.

Geographic Markets

A three-year summary of geographic sources of revenue follows:

Policy Management Systems Corporation
Five-Year Financial Summary
($ Millions)

	Fiscal Year					
	1994		1993		1992	
Geographic Market	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
U.S.	$417.8	85%	$394.7	87%	$413.5	85%
Canada	20.2	4%	19.5	4%	17.1	4%
Europe	33.0	7%	24.9	6%	40.6	8%
Asia	21.7	4%	14.0	3%	18.1	4%
Total *	$492.7	100%	$453.1	100%	$489.3	100%

* *Differences due to rounding.*

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A majority of PMSC's revenues are derived from the U.S. The company has clients in 29 countries.

Acquisitions

In December 1994, PMSC acquired Creative Group Holdings Limited of the U.K. for $19.2 million in cash. The acquisition was accounted for as a purchase.

- Creative is a provider of software solutions and professional services to the general insurance industry, especially to medium-sized general insurance companies.
- Creative had 1994 revenue of approximately $18.5 million and offices in England, Australia and Southeast Asia.
- The transaction resulted in the addition of approximately 70 clients in 15 countries worldwide, to PMSC's client base.

In August 1993, PMSC acquired CYBERTEK Corporation of Dallas (TX) for $59.7 million. The acquisition was accounted for as a purchase. CYBERTEK, founded in 1969, provided applications software products, processing, systems operations and professional services to the life insurance industry.

Employees

As of December 31, 1994, PMSC had 4,340 full-time employees and 4,678 total employees located in offices in North America, Europe and Australia.

Key Products and Services

PMSC currently offers more than 137 primary products and services, including more than 90 software products. The company's current software products and information services are summarized in the exhibits.

Series III technologies serve as a platform for the company's systems. Series III supports client/server processing using relational databases, graphical user interfaces and imaging technologies to provide a seamless flow of information between insurance agents, branch offices and the home office of insurance companies.

- A primary objective of Series III is the full integration of the information and data gathering, processing, underwriting, claims handling and reporting processes for providers of insurance to create a cooperative processing environment where insurance professionals, using advanced intelligent workstations, can process multiple task concurrently with minimal clerical support and data entry.
- Release 7 of Series III was made available in 1994.
- Series III is licensed by nearly 70 insurance companies.

PMSC's software products automate most insurance processing functions, as well as various accounting, financial reporting and cash management functions.

- PMSC's primary software products run on a range of IBM and compatible computers. In addition, certain products run on microcomputers and intelligent workstations. PMSC is also working with AT&T to develop products for the UNIX environment.
- Software is licensed under standard nonexclusive and non-transferable license agreements that generally have a non-cancelable, minimum term of six years

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and provide an initial license and a monthly charge.

- PMSC customers may use software licensed from the company on a remote processing basis through PMSC's data and remote service centers located in Columbia (SC), Toronto, Dallas, Boston and Lawrenceville (NJ).

- PMSC also offers specialty processing services to its customers for unique, highly regulated business, such as Massachusetts automobile, Texas personal lines and automobile assigned risk plans.

Electronic information services, designed to assist insurance professionals in making better decisions about risk selection and pricing and claims settlements, currently include motor vehicle reports (driving record), undisclosed driver information, driver mileage verification, claims histories, credit reports and histories, property inspection and valuation reports, property claims estimating, premium audits, physician reports and medical histories.

- Professional services provided by PMSC include business needs analysis, systems implementation and integration assistance, migration, consulting, project planning and educational courses. These services are generally provided under time and materials contracts, with some fixed-price arrangements.

- Outsourcing services are offered by the company from its data centers in North America, Europe and Australia. Among the range of services provided, some include complete systems management, processing and administration support, policy holder services and claims support.

- PMSC offers a selection of hands-on classes to familiarize customers with the use of systems. Classes can be taught at the customer's site, at PMSC's home office or through the use of video tape.

Education Services also provides a Resource, Evaluation and Planning Service to help customers identify their training needs.

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Exhibit A

Policy Management Systems Corporation
Applications/Products

PRODUCT/DESCRIPTION	PRODUCT/DESCRIPTION
Insurance Industry Software Products	**Property & Casualty Products**
BCMS - Billing and Collection Management System	CWS* - Claims Workstation
BCWS* - Billing and Collection Workstation	CHS -Claims Handling System
CIWS* - Client Information Workstation	PMS Version VII - Policy Management System
CIS/3270 - Client Information System	IMIS - Insurance Management Information System
CCWS* - Contract and Commission Workstation	PWS* - Product Support Workstation
DWS* - Disbursement Workstation	POINT - AS/400 P&C processing system
CDS - Common Disbursement System	AFG for POINT - Advanced Forms Generation
FWS* - Financial Workstation	Automated Rating for POINT
FMS - Financial Management System	AIP - Advanced Image Processing for POINT
MIS* - Management Information System	AWS - Agency Workstation (The Bundle)
MDS* - Management Decision Support	ARG - Application Record Generator
Comments* (general office)	ACA - Advanced Communications Access
OWS* - Office Correspondence Workstation	ADMS - Automated Distribution Mgmt. System
WIP* - Work in Process	UWS* - Underwriting Workstation
RMS* - Reinsurance Management System	MMS - Micro Mainframe System
AIWS - Sales/marketing workstation/Europe	AWARDS - Automated Writing and Rating of
IAP* - Integrated Application Platform	Dwellings System
MEP* - Media Enabling Platform	CAPE - Commercial Automobile Processing
	CARS - Computer Automobile Rating System
	CABILS - Customer All-Lines Billing
	FIPS - Flood Insurance Processing System
	Massachusetts Automobile
	SPARE - System to Process Assigned Risk
	Texas Commercial Processing System
	UCS - Universal Control System

* *Series III system*

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Exhibit B

Policy Management Systems Corporation
Applications/Products

PRODUCT/DESCRIPTION	PRODUCT/DESCRIPTION
Life Products and Services	**Health Products ****
PMS/Life - Life and health administration system	HES - Health Enterprise Solution
PMS/CAPSIL - Traditional and non-traditional life and annuity administration system	HES: Group Administration and billing System (ADMIN)
CYBERLife/ES - Client/Server-based administration system for life, health and annuity insurance	HES: Provider Administration and Reimbursement (PA&R)
Infinity - Underwriting information gathering service	HES: Benefits and Claims System (CAPS)
New Business Expeditor - PC LAN-based new business insurance processing system	Point of Service Facility
Workstation Advisor - GUI to mainframe and LAN applications	DLS - Dental Logic System
Plan Advisor - PC-based planning system	CAPsule - Health Claims Reporting System
SalesPro -Sales illustration and proposal system	CAS II - Claims Administration System
Electronic Policy Issue - PC interface to mainframe	Autocoder - Automated coding
Field LinkCK4/Image - Digital imaging	Claim Check - Analyzes coded data
Wide Area Mail - Electronic mail	ACPS-A - Advanced Claims Processing for Medicare Part A
CYBERSCRIBE V - PC-based word processing	SNAP - Standard National Accounting Program - Cost allocation for Blue Cross and Blue Shield
Information Expeditor - EDI system	Group Comm - Group Administration System
Underwriting Advisor - Judgement processing	PDSS* - Product Development Support System
COGENSYS Judgement Processor - Judgement processing	PIMS* - Provider Information Management System
COGENSYS Information Manager - A front-end system	proCLEAN - Provider Data Clean-up and Standardization (mail list clean-up)
COGENSYS Application Manager - Scheduling and Tracking system	
PLIS - Private Life Insurance System	
BELIV - Administration of life and pension insurance	

* *Series III system*

** *The Health division was sold in June 1995.*

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Exhibit C

Policy Management Systems Corporation
Information Services

PRODUCT	DESCRIPTION
Total Information Processing Solutions (TIPS)	Information clearinghouse with underwriting, claims and marketing information; software tools for data analysis; services to implement and integrate solutions
Comprehensive Auto Risk Evaluation (CARE)	Automobile underwriting information services
- CARE: Auto Class Evaluation (ACE)	Transaction-based verification services
- CARE: Insurance Claims Exchange (ICE)	Automobile claims histories database
- CARE: Minnesota Database of MVRs	Database of Minnesota-owned MVRs
- CARE: Motor Vehicle Reports (MVRs)	MVR service in all 50 states, D.C. and Canada
- CARE: Undisclosed Driver Information (UDI)	Licensed driver database
GIS: Automated Information System (AIS)	Integrated information order, delivery, evaluation and management platform
GIS: Comp-U-Claim	Micro-based claims estimating system
ROADSHOW/Mile Verification Program	Automated calculation of miles to work and annual mileage
Property and Risk Evaluation Services (PRES)	Property underwriting information services
- PRES: Commercial Lines Inspections and Surveys	Transaction-based commercial lines underwriting inspections and surveys database service
- PRES: Insurance-To-Value (ITV) Reports	Transaction-based value and condition/exposure information database to assess correct premium and risk evaluation of dwellings.
- PRES: Comp-U-Value (CUV)	Micro-based estimating system for personal lines
- PRES: Consumer Credit Reports	Access to consumer credit reports from TransUnion
- PRES: Premium Audit Services	Transaction-based premium audit services
- PRES: Location Reports	Database address location service
- PRES: Market Research	General research reports for customers involved in direct consumer contact
- PRES: Personnel Investigations	Pre-employment investigative reports
ezAPR and ezAPR+	PC-based processing of auto pre-insurance inspection data
ezAIM	Electronic audit ordering and management
ezRES and ezRES+	PC-based ordering of personal and commercial lines inspections, progress reporting, inventory tracking, aging and time-service reports.

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Clients

U.S. clients include—Fremont Mutual Insurance Company, Ohio Casualty Insurance Group, Florida Property and Casualty Joint Underwriting Association, Tennessee Farmers Mutual Insurance Company, Superior Insurance Company, Connecticut Mutual Life Insurance Company, Columbian Mutual, Security Benefit Life, Farm Bureau Mutual Insurance Company, West Bend Mutual Insurance Company, USLIFE Systems Corporation, Farmers Alliance Mutual Insurance Company, Republic Insurance Company, Medical Mutual Liability Insurance Society of Maryland, Condor Insurance Company, Chrysler Insurance Company, ING Group, SECURA Insurance Company, Western Pioneer Insurance Company, U.S. Postal Service

International clients include—Seguros Probursa S.A. (Mexico), Alfa Livsforsikring (Norway), Norsek Liv (Norway), KLP (Norway), Vital Forsikring (Norway), Segruros Colpatria (Columbia), Co-Operators General Insurance Company (Canada), Allstate Insurance Company of Canada, Shin-Fu Life Insurance Company (Taiwan)

Marketing and Sales

PMSC markets it products and services through a staff of approximately 200 employees, including salesmen and marketing support personnel, most of whom are specialists in the insurance industry.

The company offers its software products and services in 37 foreign countries. In addition to its own software products, the company markets third-party software products to its customers.

Alliances

PMSC has alliances with various vendors as follows:

- AT&T Global Information Solutions—A strategic alliance to jointly market PMSC's Series III systems worldwide to insurance companies implementing AT&T UNIX-based solutions. AT&T has made a multimillion dollar commitment to support the marketing of the Series III software and to fund the conversion of the Series III host-associated software to UNIX-based platforms.

- PMSC has formed a value-added reseller agreement with IBM for the AS/400 business computer system, in conjunction with the company's mid-range POINT system.

- PMSC joined Oracle's Business Alliance Program and Sybase's Open Solutions Partners Program, to position itself for developing its solutions to the insurance industry based on customer demand.

- Fair, Issac and Company Inc.—A marketing alliance for the U.S., Canada and Europe whereby PMSC can market Fair Issac's Underwriting Strategy Execution & Reporting (USER) system and Fair, Issac will market PMSC's Automated Information System.

Competitors

Major competitors include The Continuum Company and Electronic Data Systems.

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

October 1996

Policy Management Systems Corporation

Chairman & CEO: **G. Larry Wilson**
One PMSCenter
P.O. Box Ten
Columbia, SC 29202
Phone: **(803) 735-4000**
Fax: **(803) 735-6980**
Internet: **http://www.pmsc.com**

Status:	Public
Employees:	5,072 (12/95)
Revenue:	$537,302,000
Fiscal Year End:	12/31/95

Key Points

- Policy Management Systems Corporation (PMSC) is a leading provider of outsourcing, processing, and professional services and software products to the insurance industry.
- In late 1995, PMSC continued to expand its international presence with the acquisition of Germany-based micado Group.
- During 1995, PMSC also acquired strategic technology and expertise in Internet-based software systems for the financial and insurance industries.
- While PMSC intends to continue to develop applications for IBM architecture platforms, it also supports open systems/UNIX platforms, and intends to support Microsoft's major operating systems and incorporate object-oriented technology into its products.
- In June 1995, PMSC sold its Health Insurance Systems Division, to focus on the company's core business—property, casualty, and life insurance industries.

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Company Description

PMSC provides processing, professional, outsourcing, and electronic information services, applications software products, and associated support services to the insurance industry. The company has products and services that serve the needs of the property and casualty, life, and health insurance markets.

PMSC was formed in 1974 as the PMS Division of Seibels, Bruce & Company.

- In September 1981, Seibels transferred the assets and business operations of the PMS Division to PMSC in exchange for shares of common stock, and PMSC agreed to provide services to Seibels at rates comparable to those charged to unaffiliated customers for similar services.
- Portions of proceeds from public stock offerings made by PMSC in 1981, 1983, 1984, and 1985 have been used to repurchase and retire PMSC common stock held by Seibels.

Prior to 1989, PMSC and IBM had worked together under various agreements. In 1989, this relationship was strengthened with IBM's acquisition of a 19.8% minority equity interest in PMSC for $116.8 million.

- IBM and PMSC agreed to work closely together to develop and market automated solutions for the insurance industry, collaborating on sales and marketing programs and systems development in the U.S. and Europe.
- In early 1992, PMSC and IBM's services subsidiary, Integrated Systems Solutions Corporation (ISSC), announced an agreement to jointly provide outsourcing services to the entire insurance industry—property and casualty, life, and health.
- As of December 31, 1993, IBM's ownership interest in PMSC was 16.8%.
- In May 1994, PMSC repurchased approximately 2.28 million of the 3.8 million shares of its common stock held by IBM for $56.5 million. The move was part of IBM's strategy to selectively liquidate its portfolio of minority interest investments. The remaining PMSC's shares owned by IBM are being purchased by the General Atlantic Partners group, a New York-based private investment firm.
- PMSC will continue to partner with IBM in the insurance industry.

Organization and Structure

PMSC is organized into the following groups:

- The Property and Casualty Insurance Group—Headed by David T. Bailey, this group is responsible for marketing and supporting the company's property and casualty products and services.
- The Life Insurance Group—Headed by Paul R. Butare, this group is responsible for marketing and support of the company's life products and services.
- Information Services—This group is responsible for the development and marketing of the company's information services products.
- The Industry Markets Group—Headed by Donald A. Coggiola
- The Total Policy Management Group—This group is responsible for systems operations/outsourcing services

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- The Corporate Services Group—Headed by Robert L. Gresham
- The Financial Services Group—Headed by Timothy V. Williams

PMSC has approximately 35 regional and branch offices throughout the U.S. Regional service centers are in San Ramon (CA), Sarasota (FL), Indianapolis (IN), Boston (MA), Lawrenceville (NJ), and Dallas and Waco (TX).

Internationally, the company has subsidiaries/offices in Australia, Austria, Canada, Denmark, the U.K. (PMS Creative), Germany (PMSmicado), Hong Kong, Norway, Singapore, Spain, and Sweden. The company also has agents in Argentina, Japan, Taiwan, and Venezuela.

Company Strategy

The company's mission is to provide a full range of products to the insurance industry. PMSC's strategy includes the following:

- Structuring long-term relationships and agreements that provide its customers with continuously updated solutions, while building a larger base of recurring revenues. Since 1987, the company has increased its emphasis on the processing services market and providing a range of systems operations/outsourcing services.
- Offering products/services on a range of platforms, including UNIX and Windows environments
- Integrating Internet-based solutions into its products
- Continued international expansion, including additional growth in Europe and the Asia/Pacific region

Financials

A five-year financial summary is shown below.

Policy Management Systems Corporation
Five-Year Financial Summary
($ Millions, except per share data)

	Fiscal Year				
Item	1995	1994	1993	1992	1991
Revenue	$537.3	$492.7	$453.1	$489.3	$411.2
• Percent change from previous year	9%	9%	(7%)	19%	20%
Income (loss) before taxes	$8.1 (a)	($18.5)	($66.4)	$90.8	$72.8
• Percent change from previous year	144%	(72%)	(173%)	25%	31%
Net income (loss)	$3.1	($9.7)	($56.1)	$61.5	$42.6
• Percent change from previous year	133%	83%	(191%)	44%	15%
Earnings (loss) per share	$0.16	($0.46)	($2.46)	$2.65	$2.21
• Percent change from previous year	135%	81%	(193%)	20%	15%

(a) Includes a $8.1 million gain on the sale of the health business, a $18.4 million loss on the disposal of computer equipment, and a $2.6 million charge related to the acquisition of micado Group.

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Professional and outsourcing services revenue for 1995 increased $51.7 million (25%) compared to 1994 due primarily to services from both new and existing contracts amounting to $51.3 million for property and casualty insurance business and $16.4 million for life insurance business, and was partially offset by a decrease in revenue from the health insurance market of $16 million.

- The increase in property and casualty business was due to increased services in both the domestic and international markets. The increase in the domestic market was due to increase in volume related to the governmental and residual markets for total policy management outsourcing services. The increase in the international market of $28.2 million was principally due to the acquisition of Creative Group Holdings Limited in December 1994 and new services contracts in Europe, Canada, and the Asia/Pacific region.

- The increase in life insurance business is principally the result of volume increases relating to both new and existing outsourcing contracts and a new agreement for total policy administration services in the domestic market, and to an increase in the volume of professional and outsourcing services related to new contracts in Europe.

Information services revenue decreased $20.7 million (11%) from 1994 to 1995 due principally to a $23.3 million decrease in revenue related to PMSC's domestic property and casualty automobile and risk information services business, partially offset by a $2.6 million (5%) increase in life information services revenue (principally attending physician statements and medical history reports).

Revenue from initial licenses increased $10.7 million (28%) compared to 1994, primarily due to an increase in property and casualty insurance licensing activity of $16.2 million. This increase is primarily the result of a $13.6 million increase in international licensing activity, related principally to licensing activity of Creative.

Domestic property and casualty insurance licensing revenues, which increased $2.6 million for 1995, include $4.0 million in nonrecurring revenue related to a source code license agreement with a cross-industry vendor. Also included is $3.3 million from a distribution agreement and $1.5 million from a marketing arrangement for a UNIX-based version of the POINT system, both with NCR Corporation.

Monthly license revenue for 1995 increased $2.3 million (4%), primarily due to an increase of $2.0 million due to the acquisition of Creative, a $1.8 million increase in revenue from licensing activities in the property and casualty domestic market, and a $1.2 million increase in maintenance related to servicing life insurers in the Nordic market. This increase was partially offset by a $2.8 million decline in other licensing activity, principally in the health insurance systems business.

Revenue Analysis by Product/Service

Approximately 48% of PMSC's 1995 revenue was from outsourcing and professional services, 32% from electronic information services, and 19% from software licenses.

A three-year summary of PMSC's revenue by product/service follows:

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Policy Management Systems Corporation
Three-Year Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1995		1994		1993	
Product/Service	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
Professional services & outsourcing	$260.3	48%	$208.6	42%	$183.5	41%
Electronic information services	172.3	32%	193.0	39%	191.7	42%
Software licensing	102.1	19%	89.1	18%	74.8	17%
Other	2.6	1%	2.0	1%	3.2	--
Total *	$537.3	100%	$492.7	100%	$453.1	100%

* *Differences due to rounding.*

Interim Results

Revenue for the six months ending June 30, 1996 reached $270.5 million, a 9% increase over $266.9 million for the same period in 1995. Net income was $27.4 million, compared with net income of $23.4 million for the same period a year ago.

- Total licensing revenue for the period reached $50.1 million, a 4% increase over $48.2 million for the same period in 1995.
- Professional services and outsourcing revenue increased 11% to $140.1 million, compared with $126.7 million for the first six months of 1995.
- Property and casualty business (excluding information services) was $141.9 million, up from $131.5 million for the same period a year ago.
- Life insurance systems and services business reached $82.3 million, up from $66.2 million for the same period in 1995.

Market Financials

Virtually 100% of PMSC's 1995 revenue was derived from the insurance industry.

PMSC's target market for its products and services is property and casualty insurance companies, group life and health providers, as well as independent agents and adjusters. The company also offers its software products and related automation support services in foreign countries.

Geographic Markets

Approximately 76% of PMSC's 1995 revenue was derived from the U.S. and 24% from international sources.

A three-year summary of geographic sources of revenue follows:

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Policy Management Systems Corporation
Three-Year Geographic Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1995		1994		1993	
Geographic Market	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
U.S.	$410.5	76%	$417.8	85%	$394.7	87%
Canada	23.1	4%	20.2	4%	19.5	4%
Europe	71.5	13%	33.0	7%	24.9	6%
Asia	32.2	6%	21.7	4%	14.0	3%
Total *	$537.3	100%	$492.7	100%	$453.1	100%

* *Differences due to rounding.*

A majority of PMSC's revenues are derived from the U.S. The company has clients in 33 countries.

Acquisitions

In November 1995, PMSC acquired certain assets of Virtual Insurance System, Inc. (ViLink) of Mountain View (CA).

- The transaction provides PMSC with strategic technology and expertise in Internet-based, computer software systems for the financial and insurance industries.
- ViLink has designed the architecture for a product that will allow insurance companies to conduct secure, valued-added business transactions across the Internet. ViLink's "Virtual Insurance Link" will provide the information delivery services over the Internet, initially, for the products and services of CYBERTEK, a subsidiary of PMSC, then other product lines will follow.

In October 1995, PMSC acquired the micado Group of Hennef (Germany) for approximately $30.8 million. The acquisition was accounted for as a purchase.

- micado serves German financial markets with object-oriented, client/server solutions. Its strengths lie in the development of object-oriented software, in OS/2 and Windows application programming, and in the design and implementation of client/server solutions.
- micado had approximately 100 employees at the time of the acquisition and 1994 revenue of $11.6 million.
- micado now operates as PMSmicado.

In December 1994, PMSC acquired Creative Group Holdings Limited of the U.K. for $19.2 million in cash. The acquisition was accounted for as a purchase.

- Creative is a provider of software solutions and professional services to the general insurance industry, especially to medium-sized general insurance companies.
- Creative had 1994 revenue of approximately $18.5 million, 200 employees, and offices in England, Australia, and Southeast Asia.

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- The transaction resulted in the addition of approximately 70 clients in 15 countries worldwide to PMSC's client base.

- Now known as PMS Creative Ltd., this acquisition provides PMSC with INSURE/90, a leading midrange property and casualty solution in Europe.

In December 1994, PMSC acquired the processing and development services division of Continental (U.K.) located in Docklands (England). Now called London Insurance Services, these operations specialize in processing services and developing client/server solutions for the London reinsurance market.

Divestitures

During 1995, after extensive evaluations, PMSC decided to exit the risk services portion of its property and casualty information services businesses due to continued declining sales and earnings and multiple years of major catastrophic losses affecting this industry.

- The risk information services business reported revenue of $22.7 million for 1995 and an operating loss of $4.2 million

- PMSC has restructured its property and casualty information services business and has stopped providing certain data collection services, including property inspections, commercial audits, and pre-employment checks.

- As a result, PMSC recorded restructuring charges of $3.7 million during 1995 for disposal and severance charges related to exiting these operations.

In June 1995, PMSC sold its Health Insurance Systems Division, to focus on the company's core business—property, casualty, and life insurance industries.

- The division was bought by Health Information Systems Corporation for approximately $9.3 million.

- The health division reported a revenue of $3.8 million (less than 3% of PMSC's revenue) in the first quarter of 1995.

Employees

As of December 31, 1995, PMSC had a total of 5,072 employees located in offices in North America, Europe, and Australia, of which 4,655 were full-time employees.

Key Products and Services

PMSC currently offers more than 100 business solutions, including more than 70 software products. The company's current software products and information services are summarized in the exhibit.

PMSC's primary software systems currently run on midrange and large scale IBM and compatible computers using most IBM operating systems. In addition, a number of systems run on intelligent workstations. PMSC also supports an open systems strategy providing for host-based software components to be converted to certain UNIX platforms.

PMSC's software products automate most insurance processing functions, including various underwriting, claims, accounting, financial and regulatory reporting, and cash management functions.

- Software is licensed under standard nonexclusive and non-transferable license agreements that generally have a non-cancelable, minimum term of six years, and provide an initial license and a monthly charge.

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- PMSC customers may use software licensed from the company on a remote processing basis through PMSC's data and remote service centers located in Columbia (SC), Toronto (Canada), Dallas (TX), Boston(MA), Lawrenceville (NJ), Bergen (Norway), and North Ryde (Australia).

Series III technologies serve as a platform for the company's systems. Series III supports client/server processing using relational databases, graphical user interfaces, and imaging technologies to provide a seamless flow of information between insurance agents, branch offices, and the home office of insurance companies.

- A primary objective of Series III is the full integration of the information and data gathering, processing, underwriting, claims handling, and reporting processes for providers of insurance to create a cooperative processing environment where insurance professionals, using advanced intelligent workstations, can process multiple task concurrently with minimal clerical support and data entry.

- Release 8 of Series III is scheduled to be available the second half of 1996.

- The continued development of Series III will incorporate workers' compensation insurance functionality, object-oriented technology, and functionality on Microsoft 32-bit operating systems.

- PMSC continues to provide solutions to the property and casualty insurance industry through its Series II products, an earlier generation of solutions that are traditional mainframe or PC products. These products have recently been enhanced to accommodate processing dates for the year 2000 and beyond.

The POINT System, PMSC's midrange solution for the U.S. and Latin American property and casualty insurance market, is being reengineered to produce client/server capabilities featuring a graphical user interface-based client and application for multiple servers. POINT Open, under development, will use object-oriented techniques for multiple platforms.

CyberLife is PMSC's client/server software solution for the life insurance and financial services industries.

Outsourcing services range from processing for highly regulated lines of business, such as Massachusetts automobile and automobile assigned risk plans, to providing complete processing capabilities for all or most of a customers' business by making available software systems licensed from PMSC on a remote basis, to assuming complete system management, processing, and administrative support responsibilities for a customer, including complete policyholder services and claims support.

- Total Policy Management (TPM) combines automation, information, and policy processing for insurance companies. During 1995, PMSC began providing TPM services to life insurers as CyberSourcing services.

- Outsourcing services are provided from data centers in North America, Europe, and Australia.

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Exhibit

Policy Management Systems Corporation
Applications/Products

PRODUCT/DESCRIPTION	PRODUCT/DESCRIPTION
Insurance Industry Software Products	**Property & Casualty Products** *(continued)*
BCWS* - Billing and Collection Workstation	FWS - Financial Workstation
CIWS* - Client Information Workstation	FMS - Financial Management System
CIS/3270 - Client Information System	IMIS - Insurance Management Information System
DWS* - Disbursement Workstation	MIS* - Management Information System
Judgment Processor	PSWS* - Product Support Workstation
Comments* (General Office)	RMS* - Reinsurance Management System
Corporate Hierarchy Facility*	ACA - Advanced Communications Access
MEP* - Media Enabling Platform	AWS - Agency Workstation
PEI - Print Enabling Interface*	MMS - Micro Mainframe System
WIP* - Work In Process	Rating Processor
MDS* - Management Decision Support	UWS* - Underwriting Workstation
IAP* - Integrated Application Platform	POINT - AS/400 P&C Processing System
	ALR - All Lines Rating for POINT
Property & Casualty Products	AFG for POINT - Advanced Forms Generation
BCMS - Billing and Collection Management System	AWARDS - Automated Writing and Rating of Dwellings System
CWS* - Claims Workstation	CAPE - Commercial Automobile Processing
CHS -Claims Handling System	CARS - Computer Automobile Rating System
PMS Version VII - Policy Management System	CABILS - Customer All-Lines Billing
CCWS* - Contracts and Commissions Workstation	FIPS - Flood Insurance Processing System
DAP - Document Automation Platform	Massachusetts Automobile
BCM - Business Case Monitor	SPARE - System to Process Assigned Risk
	Texas Commercial Processing System
	UCS - Universal Control System

* *Series III system*

(continued)

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Exhibit (cont.)

Policy Management Systems Corporation
Applications/Products

PRODUCT/DESCRIPTION	PRODUCT/DESCRIPTION
Life Products and Services	**Information Services**
CyberLife/ES - Client/server-based administration system for traditional and advanced products. Includes the following:	Knowledge 21 - Network of underwriting and claims information from diverse suppliers provided through a single point of access
- CyberLife/BE (Business Enablers)	Automated Information System (AIS) - Integrated information order, delivery, evaluation, and management platform
- CyberLife/DS (Decision Support)	A-PLUS - Industry-sponsored property and liability claims database
- CyberLife/NB (New Business)	Auto Class Evaluation (ACE) - Transaction-based verification services
- CyberLife/AD (Administration)	California Index of Activity - MVR activity database
CyberSupport - Customized services, including consulting, enhancement development, upgrades, conversions, migration support, education and training	UNCLE from DATEQ Information Network - Automobile claims histories database
CyberSourcing - Third-party administration, facilities management, or PMSInfinity	Minnesota Database of MVRs
PMSInfinity - Applicant underwriting information gathering service	Motor Vehicle Reports (MVRs)
DecisionWise - Decision support system	MVR History Database
CIS/3270 - Client Information System	South Carolina Violation File - Violation database for South Carolina
DAP - Document Automation Platform	Undisclosed Driver Information (UDI) - Licensed driver database
Life and Health Information Services	Mileage Verification Program - Automated calculation of miles to work and annual mileage
CAPSIL - New business and administrative support	Comp-U-Claim (CUC) - Micro-based claims estimating system
Insurance on the Internet	Comp-U-Value (CUV) - Micro-based estimating system for replacement costs
ViLink Exchange - Used by sales channels to deliver information between insurance product and service providers	Consumer Credit Reports from Trans Union
ViLink Integrator - Used by firms providing insurance products and service providers to deliver information content and act as a gateway to back office systems and support for interactive services	Location Reports - Database address location service
	GeoVision - PC mapping system linking user's policy database with commercial geographic databases to perform exposure analyses with a geographic perspective

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Electronic information services, designed to assist insurance professionals in making better decisions about risk selection, pricing, and claims settlements, currently include motor vehicle reports (driving record), credit reports and histories, property claims estimating, physician reports and medical histories, as well as undisclosed driver information, driver mileage verification, and claims histories provided through PMSC's database services.

Professional services provided by PMSC include business needs analysis, consulting, implementation support, and educational courses. These services are generally provided under time and materials contracts, with some fixed-price arrangements.

- PMSC offers a selection of hands-on classes to familiarize customers with the use of systems. Classes can be taught at the customer's site or at PMSC's home office.

- Education Services also provides a Resource, Evaluation and Planning Service to help customers identify their training needs.

Clients

U.S. clients include—Fremont Mutual Insurance Company, Ohio Casualty Insurance Group, Florida Joint Underwriting Association, Tennessee Farmers Mutual Insurance Company, Superior Insurance Company, Connecticut Mutual Life Insurance Company, Columbian Mutual, Security Benefit Life, Farm Bureau Mutual Insurance Company, West Bend Mutual Insurance Company, USLIFE Systems Corporation, Farmers Alliance Mutual Insurance Company, Republic Insurance Company, Medical Mutual Liability Insurance Society of Maryland, Condor Insurance Company, Chrysler Insurance Company, ING Group, SECURA Insurance Company, Western Pioneer Insurance Company, the U.S. Postal Service, The Commerce Group, Inc., Fireman's Fund Insurance Company, Lincoln Benefit Life Company, Surety Life Insurance Company, GEICO, Chubb Life, Great American Life, Midland, Principal Financial, GeneraLife

International clients include—Seguros Probursa S.A. (Mexico), Alfa Livsforsikring (Norway), Norsek Liv (Norway), KLP (Norway), Vital Forsikring (Norway), Segruros Colpatria (Columbia), Co-Operators General Insurance Company (Canada), Allstate Insurance Company of Canada, Shin-Fu Life Insurance Company (Taiwan)

Marketing and Sales

PMSC markets it products and services through a staff of approximately 165 employees, including salesmen and marketing support personnel, most of whom are specialists in the insurance industry.

The company offers its software products and services in 33 foreign countries. In addition to its own software products, the company markets third-party software products to its customers.

Alliances

PMSC has alliances with various vendors as follows:

- NCR—A strategic alliance to jointly market PMSC's Series III systems worldwide to insurance companies implementing NCR UNIX-based solutions

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- PMSC has a development and marketing agreement with IBM related to Series III. PMSC also has a value-added reseller agreement with IBM for the AS/400 in conjunction with the company's midrange POINT system.

- PMSC has joined Oracle's Business Alliance Program, Sybase's Open Solutions Partners Program, and Microsoft's Solution Developer to support its open systems strategy.

- Fair, Issac and Company Inc.—A marketing alliance for the U.S., Canada, and Europe whereby PMSC can market Fair Issac's Underwriting Strategy Execution & Reporting (USER) system and Fair, Issac will market PMSC's Automated Information System

- Trans Union—Supplying motor vehicle reports and claims history information in support of PMSC's information services

Competitors

Major competitors include The Continuum Company (CSC) and EDS.

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

October 1994

Policy Management Systems Corporation

Chairman, President & CEO: G. Larry Wilson
One PMSCenter
P.O. Box Ten
Columbia, SC 29202
Phone: (803) 735-4000
Fax: (803) 735-6980

Status:	Public
Employees:	4,786
Revenue:	$ 453,099,000
Fiscal Year End:	12/31/93

Key Points

- Policy Management Systems Corporation (PMSC) is a leading provider of outsourcing, processing and professional services and software products to the insurance industry.
- In May 1994, PMSC repurchased approximately 2.28 million of the 3.8 million shares of its common stock held by IBM for $56.5 million. The remaining PMSC shares owned by IBM are being purchased by the General Atlantic Partners group, a New York-based private investment firm. The move was part of IBM's strategy to selectively liquidate its portfolio of minority interest investments.
- PMSC has attributed a 50% drop in health insurance product/service revenue during 1993 primarily to the uncertainty regarding national health care reform initiatives. PMSC has taken actions to bring this business to a break-even position during 1994, including writing off certain software and downsizing staff and facilities.

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Financials for 1993 reflect impairment and restructuring charges totaling $80.7 million related to these actions.

- PMSC expanded its product and service offerings to the life insurance industry with the August 1993 acquisition of CYBERTEK, a Dallas-based software and services firm with more than 100 life insurance company clients.

- In December 1993, PMSC signed one of the largest outsourcing agreements in its history— a seven-year processing services contract worth up to $150 milllion with Vital Forsikring A.S., a life insurance company in Bergen (Norway).

- While PMSC intends to continue to develop applications for IBM architecture platforms, it also intends to support open systems, as evidenced by its joint development/marketing agreement with AT&T Global Information Solutions.

Company Description

PMSC provides processing, systems operations (outsourcing) and electronic (general) information services, applications software products, and associated support services to the insurance industry. The company has products and services that serve the needs of the property and casualty, life and health insurance markets.

In early 1993, PMSC announced that first quarter results would fall well below company expectations due to several contracts that had not closed. The news prompted a 43% drop in PMSC shares in one day. Subsequently, the accuracy of the company's financial reporting became the subject of internal investigations, delaying quarterly results.

- Coopers & Lybrand has performed a complete review of PMSC's internal controls and 1992 and 1993 financial reports. These audits determined that several adjustments were needed to previously reported financial statements, resulting in an increase of $5.1 million to retained earnings for 1992 and an increase in earnings per share of $0.10.

- Previous audit reports covering 1990 and 1991 have been withdrawn. As a result, results of operations for these prior periods are not yet available.

Company History

PMSC was formed in 1974 as the PMS Division of Seibels, Bruce & Company.

- In September 1981, Seibels transferred the assets and business operations of the PMS Division to PMSC in exchange for shares of common stock, and PMSC agreed to provide services to Seibels at rates comparable to those charged to unaffiliated customers for similar services.

- Portions of proceeds from public stock offerings made by PMSC in 1981, 1983, 1984, and 1985 have been used to repurchase and retire PMSC common stock held by Seibels.

Prior to 1989, PMSC and IBM had worked together under various agreements. In 1989, this relationship was strengthened with IBM's acquisition of a 19.8% minority equity interest in PMSC for $116.8 million.

- IBM and PMSC agreed to work closely together to develop and market automated solutions for the insurance industry, collaborating on sales and marketing

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programs and systems development in the U.S. and Europe.

- In early 1992, PMSC and IBM's services subsidiary, Integrated Systems Solutions Corporation (ISSC), announced an agreement to jointly provide outsourcing services to the entire insurance industry—property and casualty, life and health.

- As of December 31, 1993, IBM's ownership interest in PMSC was 16.8%.

- In May 1994, PMSC repurchased approximately 2.28 million of the 3.8 million shares of its common stock held by IBM for $56.5 million. The move was part of IBM's strategy to selectively liquidate its portfolio of minority interest investments. The remaining PMSC's shares owned by IBM are being purchased by the General Atlantic Partners group, a New York-based private investment firm.

- PMSC will continue to partner with IBM in the insurance industry.

Organization and Structure

PMSC is organized into the following groups:

- TheProperty and Casualty Insurance Group—Headed by David T. Bailey, this group is responsible for marketing and supporting the company's property and casualty products and services.

- The Life, Health & Information Services Group—Headed by Charles E. Callahan, this group is responsible for the marketing and support of the company's life and health product and services and information services.

- The Industry Markets Group—Headed by Donald A. Coggiola

- The Total Policy Management Group—Headed by James P. Brown, this group is responsible for systems operations/outsourcing services

- The Corporate Services Group—Headed by Robert L. Gresham

- The Financial Services Group—Headed by Timothy V. Williams

Company Strategy

PMSC's strategy includes the following:

- Building a larger base of recurring systems licensing and services revenues. Since 1987, the company has increased its emphasis on the processing services market and providing a range of systems operations/outsourcing services.

- Attempting to direct more of its information services business into database products and life and health information services where margins are generally higher. Property and casualty information services gross margins are typical lower.

- Continuing to replace revenues lost from the New Jersey Market Transition Facility outsourcing project

- Successfully integrating CYBERTEK's product line with PMSC's Series III platform and attaining profitability for the life insurance business this unit during 1994

- Regaining growth and profitability in Europe

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Financials

PMSC's 1993 revenue was $453.1 million compared to 1992 (restated) revenue of $489.3 million. Net losses were $56.1 million for 1993, compared to net income of $90.8 million for 1992.

- Net losses for 1993 reflect special one-time charges of $80.7 million associated primarily with its health insurance services business and charges of $18.1 million related to early project terminations, the deductible for liability insurance for litigation, cost overruns on certain projects and other charges arising from PMSC's internal investigation of its accounting practices. These charges were partially offset by an income tax benefit of approximately $10.3 million.

Revenues in 1993 were adversely affected by lower than planned revenues from the company's health and life insurance services businesses.

- For the health insurance business, revenues dropped approximately 50% to $33.2 million, and operating losses were $16.6 million. The original forecast for health insurance business revenue in 1993 was $78 million.

 - After evaluating the health care market, PMSC determined it did not have some of the systems to respond to the most likely future initiatives in the health care insurance industry and many of its existing products related to traditional health indemnity insurance plans in this area would require substantial modification.

 - As a result of these factors, PMSC wrote off certain products related to traditional indemnity insurance plans, reduced health insurance staff and facilities and recorded special pretax impairment and restructuring charges of $80.1 million during 1993.

 - PMSC is restructuring the health services unit to focus on a post-reform environment.

- PMSC's life insurance business generated 1993 revenues of $84.8 million. Operating losses for the unit were $12.9 million.

 - Results include the operations of CYBERTEK from the date of its acquisition in August 1993. Approximately $1.7 million of the loss for the life insurance business was attributed to amortizing of intangible assets resulting to the acquisition.

 - PMSC's decision to develop new releases of certain of its life systems based on the business functions of CYBERTEK software and the process of integrating CYBERTEK functionality into certain existing PMSC Series III applications has significantly reduced revenues and increased the operating loss from the life insurance services business in the short term.

- Revenues from total policy management outsourcing services were adversely affected by the previously announced wind-down of the New Jersey Market Transition Facility (MTF) project. Revenues from the project were $19.7 million in 1993, compared to $68.4 million in 1992. PMSC is attempting to replace this project with new contracts, including the Vital Forsikring project awarded in December 1993.

- PMSC management believes that second half results for 1993 were also negatively

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impacted by the publicity surrounding a shareholder lawsuit and the distraction caused by the special audit and related activities.

- Property and casualty insurance software and services business achieved increased revenue and operating income, primarily from licensing activities, more than offsetting the losses in the health and life insurance services businesses.

Revenue Analysis by Product/Service

PMSC's 1993 revenue was derived approximately as follows:

Product/Service	1993 Revenue ($ Millions)	Percent of Total
Electronic information services	$ 192	42%
Systems operations *	117	26%
Software licensing	75	17%
Professional services	67	15%
Other	2	--
Total	$ 453	100%

* *Includes processing revenue.*

Electronic information services revenue rose nearly 24% during 1993 primarily due to an increase in new property and casualty information services business and life and health information services, partially offset by declines in risk services.

Outsourcing services decreased nearly 30% during 1993 due primarily to the wind down of the MTF project.

Professional services revenue decreased 26% during 1993 due primarily to a decrease in services related to the health insurance services business.

Licensing revenues increased more than 2% during 1993 due to increased revenue from monthly license charges for maintenance, system enhancements and services availability.

Interim Results

Revenue for the nine months ending September 30, 1994 reached $367.7 million, compared to $344.8 million for the same period in 1993. Net income was $23.9 million, compared to net losses of $60.1 million for the same period a year ago.

- Approximately 70% of revenues came from property and casualty, 24% from life and 6% from health.
- Total licensing revenue for the period reached $67 million, a 14% increase over the same period in 1993.
- Increased revenue from professional services and outsourcing was partially offset by lower revenues from information services.

Market Financials

Virtually 100% of PMSC's 1993 revenue was derived from the insurance industry. A further breakdown of revenue is estimated as follows:

Insurance Market	1993 Revenue ($ Millions)	Percent of Total
Property and casualty	$335.1	74%
Life	84.8	19%
Health	33.2	7%
Total	$453.1	100.0%

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PMSC's target market for its products and services is the over 3,200 property and casualty insurance companies, over 6,000 group life and health providers as well as independent agents and adjusters in the U.S. and Canada. PMSC also offers its software products and related automation support services in 21 foreign countries.

As of December 31, 1993, PMSC was providing its network information services to more than 9,000 insurance companies, agents and adjusters and had a total of more than 3,000 software systems licenses in force.

Geographic Markets

PMSC's 1993 revenue was derived as follows:

Geographic Market	1993 Revenue ($ Millions)	Percent of Total
U.S.	$394.7	87.1%
Europe	24.9	5.5%
Canada	19.5	4.3%
Asia	14.0	3.1%
Total	$453.1	100.0%

Acquisitions

In August 1993, PMSC acquired CYBERTEK Corporation of Dallas (TX) for $59.7 million. The acquisition was accounted for as a purchase.

- CYBERTEK, founded in 1969, provides applications software products, processing, systems operations and professional services to the life insurance industry.
- CYBERTEK had revenue of $30.7 million and net income of approximately $3.1 million for the fiscal year ending March 31, 1993.

In March 1992, PMSC acquired the CAPSIL business and operations of Capso-Pallm Systems, Inc. of Indianapolis (IN) for $3.6 million. CAPSIL is a comprehensive life insurance adminstration system for use by small- to midsize life insurance companies.

Employees

As of December 31, 1993, PMSC had 4,350 full-time employees and 4,786 total employees located in offices in North America, Europe and Australia.

Key Products and Services

PMSC currently offers more than 135 primary products and services, including more than 90 software products. The company's current software products and information services are summarized in the exhibits.

Series III technologies serve as a platform for the company's systems. Series III supports client/server processing using relational databases, graphical user interfaces and imaging technologies to provide a seamless flow of information between insurance agents, branch offices and the home office of insurance companies.

- A primary objective of Series III is the full integration of the information and data gathering, processing, underwriting, claims handling and reporting processes for providers of insurance to create a cooperative processing environment where insurance professionals, using advanced intelligent workstations, can process multiple task concurrently with minimal clerical support and data entry.
- Release 6 of Series III was made available in early 1994.

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Exhibit A

Policy Management Systems Corporation
Applications/Products

PRODUCT/DESCRIPTION	PRODUCT/DESCRIPTION
Products Common to P&C, Life and Health	**Property & Casualty Products**
BCMS - Billing and Collection Management System	CWS* - Claims Workstaion
BCWS* - Billing and Collection Workstation	CHS -Claims Handling System
CIWS* - Client Information Workstation	PMS Version VII - Policy Management System
CIS/3270 - Client Information System	IMIS - Insurance Management Information System
CCWS* - Contract and Commission Workstation	PWS* - Product Support Workstation
DWS* - Disbursement Workstation	POINT - AS/400 P&C processing system
CDS - Common Disbursement System	AFG for POINT - Advanced Forms Generation
FWS* - Financial Workstation	Automated Rating for POINT
FMS - Financial Management System	AIP - Advanced Image Processing for POINT
CIMS - Corporate Investment Management System	AWS - Agency Workstation (The Bundle)
CIMS: Securities	ARG - Application Record Generator
CIMS: Mortgages	ACA - Advanced Communications Access
CIMS: Investment Manager	ADMS - Automated Distribution Mgmt. System
MIS* - Management Information System	UWS* - Underwriting Workstation
MDS* - Management Decision Support	MMS - Micro Mainframe System
Comments* (general office)	AWARDS - Automated Writing and Rating of
OWS* - Office Correspondence Workstation	Dwellings System
WIP* - Work in Process	CAPE - Commercial Automobile Processing
RMS* - Reinsurance Management System	CARS - Computer Automobile Rating System
AIWS - Sales/marketing workstation/Europe	CABILS - Customer All-Lines Billing
IAP* - Integrated Application Platform	FIPS - Flood Insurance Processing System
MEP* - Media Enabling Platform	Massachusetts Automobile
	SPARE - System to Process Assigned Risk
	Texas Commercial Processing System
	UCS - Universal Control System

* *Series III system*

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Exhibit B

Policy Management Systems Corporation
Applications/Products

PRODUCT/DESCRIPTION	PRODUCT/DESCRIPTION
Life Products and Services	**Health Products**
PMS/Life - Life and health administration system	HES - Health Enterprise Solution
PMS/CAPSIL - Traditional and non-traditional life and annuity administration system	HES: Group Administration and billing System (ADMIN)
CK4/VS - Mainframe administration system for life, health and annuity insurance	HES: Provider Administration and Reimbursement (PA&R)
New Business Expeditor - PC LAN-based new business insurance processing system	HES: Benefits and Claims System (CAPS)
Workstation Advisor - GUI to mainframe and LAN applications	Point of Service Facility
Plan Advisor - PC-based planning system	DLS - Dental Logic System
SalesPro -Sales illustration and proposal system	CAPsule - Health Claims Reporting System
Electronic Policy Issue - PC interface to mainframe	CAS II - Claims Administration System
Field LinkCK4/Image - Digital imaging	Autocoder - Automated coding
Wide Area Mail - Electronic mail	Claim Check - Analyzes coded data
CYBERSCRIBE V - PC-based word processing	ACPS-A - Advanced Claims Processing for Medicare Part A
Information Expeditor - EDI system	SNAP - Standard National Accounting Program - Cost allocation for Blue Cross and Blue Shield
Underwriting Advisor - Judgement processing	Group Comm - Group Administration System
	PDSS* - Product Development Support System
	PIMS* - Provider Information Management System
	proCLEAN - Provider Data Clean-up and Standardization (mail list clean-up)

* *Series III system*

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Exhibit C

Policy Management Systems Corporation
General Information Services

PRODUCT	DESCRIPTION
Total Information Processing Solutions (TIPS)	Information clearinghouse with underwriting, claims and marketing information; software tools for data analysis; services to implement and integrate solutions
Comprehensive Auto Risk Evaluation (CARE)	Automobile underwriting information services
- CARE: Auto Class Evaluation (ACE)	Transaction-based verification services
- CARE: Insurance Claims Exchange (ICE)	Automobile claims histories database
- CARE: Minnesota Database of MVRs	Database of Minnesota-owned MVRs
- CARE: Motor Vehicle Reports (MVRs)	MVR service in all 50 states, D.C. and Canada
- CARE: Undisclosed Driver Information (UDI)	Licensed driver database
GIS: Automated Information System (AIS)	Integrated information order, delivery, evaluation and management platform
GIS: Comp-U-Claim	Micro-based claims estimating system
ROADSHOW/Mile Verification Program	Automated calculation of miles to work and annual mileage
Property and Risk Evaluation Services (PRES)	Property underwriting information services
- PRES: Commercial Lines Inspections and Surveys	Transaction-based commercial lines underwriting inspections and surveys database service
- PRES: Insurance-To-Value (ITV) Reports	Transaction-based value and condition/exposure information database to assess correct premium and risk evaluation of dwellings.
- PRES: Comp-U-Value (CUV)	Micro-based estimating system for personal lines
- PRES: Consumer Credit Reports	Access to consumer credit reports from TransUnion
- PRES: Premium Audit Services	Transaction-based premium audit services
- PRES: Location Reports	Database address location service
- PRES: Market Research	General research reports for customers involved in direct consumer contact
- PRES: Personnel Investigations	Pre-employment investigative reports
ezAPR and ezAPR+	PC-based processing of auto pre-insurance inspection data
ezAIM	Electronic audit ordering and management
ezRES and ezRES+	PC-based ordering of personal and commercial lines inspections, progress reporting, inventory tracking, aging and time-service reports.

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- Series III is licensed by nearly 70 insurance companies.

PMSC's software products automate most insurance processing functions, as well as various accounting, financial reporting and cash management functions.

- PMSC's primary software products run on a range of IBM and compatible computers. In addition, certain products run on microcomputers and intelligent workstations. PMSC is also working with AT&T to develop products for the UNIX environment.

- Software is licensed under standard nonexclusive and nontransferrable license agreements that generally have a noncancelable, minimum term of six years and provide an initial license and a monthly charge.

- PMSC customers may use software licensed from the company on a remote processing basis through PMSC's data and remote service centers located in Columbia (SC), Toronto, Chicago, Dallas, Boston and Lawrenceville (NJ).

- PMSC also offers specialty processing services to its customers for unique, highly regulated business, such as Massachusetts automobile, Texas personal lines and automobile assigned risk plans.

Electronic (general) information services, designed to assist insurance professionals in making better decisions about risk selection and pricing and claims settlements, currently include motor vehicle reports (driving record), undisclosed driver information, driver mileage verification, claims histories, credit reports and histories, property inspection and valuation reports, property claims estimating, premium audits, physician reports and medical histories.

- Professional services provided by PMSC include systems implementation and integration assistance, migration, consulting, project planning and educational courses. These services are generally provided under time and materials contracts, with some fixed-price arrangements.

- PMSC offers a selection of hands-on classes to familiarize customers with the use of systems. Classes can be taught at the customer's site, at PMSC's home office or through the use of video tape.

- Education Services also provides a Resource, Evaluation and Planning Service to help customers identify their training needs.

Clients

U.S. clients include—Fremont Mutual Insurance Company, Ohio Casualty Insurance Group, Florida Property and Casualty Joint Underwriting Association, Tennessee Farmers Mutual Insurance Company, Superior Insurance Company, Connecticut Mutual Life Insurance Company, Columbian Mutual, Security Benefit Life, Farm Bureau Mutual Insurance Company, West Bend Mutual Insurance Company, USLIFE Systems Corporation, Farmers Alliance Mutual Insurance Company, Republic Insurance Company, Medical Mutual Liability Insurance Society of Maryland, Condor Insurance Company, Chrysler Insurance Company, ING Group, SECURA Insurance Company, Western Pioneer Insurance Company, U.S. Postal Service

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International clients include—Seguros Probursa S.A. (Mexico), Alfa Livsforsikring (Norway), Norsek Liv (Norway), KLP (Norway), Vital Forsikring (Norway), Segruros Colpatria (Columbia), Co-Operators General Insurance Company (Canada), Allstate Insurance Company of Canada, Shin-Fu Life Insurance Company (Taiwan)

Marketing and Sales

PMSC markets it products and services through a staff of approximately 200 employees, including salesmen and marketing support personnel, most of whom are specialists in the insurance industry.

Alliances

PMSC has alliances with various vendors as follows:

- AT&T Global Information Solutions—A strategic alliance to jointly market PMSC's Series III systems worldwide to insurance companies implementing AT&T UNIX-based solutions. AT&T has made a multimillion dollar commitment to support the marketing of the Series III software and to fund the conversion of the Series III host-associated software to UNIX-based platforms.

- Fair, Issac and Company Inc.—A marketing alliance for the U.S., Canada and Europe whereby PMSC can market Fair Issac's Underwriting Strategy Execution & Reporting (USER) system and Fair, Issac will market PMSC's Automated Information System.

Competitors

Major competitors include The Continuum Company and Electronic Data Systems.

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POLICY MANAGEMENT SYSTEMS CORPORATION
P.O. Box Ten
Columbia, SC 29202
(803) 735-4000

G. Larry Wilson, Chairman, President, and CEO
Public Corporation, NYSE
Total Employees: 4,403 (12/91)
Total Revenue, Fiscal Year End 12/31/91: $415,366,000

The Company

Policy Management Systems Corporation (PMSC) provides processing and electronic (general) information services, applications software products, and associated support services to the insurance industry.

- PMSC was formed in 1974 as the PMS Division of Seibels, Bruce & Company. Data processing and related services were provided to Seibels on the basis of actual cost, which did not include a profit factor.

- In September 1981, Seibels transferred the assets and business operations of the PMS Division to PMSC in exchange for shares of common stock, and an agreement was formed under which PMSC would continue to provide services to Seibels at rates comparable to those charged to unaffiliated customers for similar services.

- Portions of proceeds from public stock offerings made by PMSC in 1981, 1983, 1984, and 1985 have been used to repurchase and retire PMSC common stock held by Seibels. Currently, Seibels' holdings represent less than 1% of the outstanding common stock of the company.

- Since July 1990, the company's stock has been trading on the New York Stock Exchange. Previously, the stock was traded over the counter.

Prior to 1989, PMSC and IBM had worked together under various agreements. In 1989, this relationship was strengthened through IBM's acquisition of a 19.8% minority equity interest in PMSC for $116.8 million.

- IBM is entitled to increase its ownership interest up to a maximum of 30% by purchasing PMSC common stock in the

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open market. IBM's ownership interest in PMSC was 16.5% as of December 31, 1991.

- As part of this transaction, IBM and PMSC agreed to work closely together to develop and market automated solutions for the insurance industry, collaborating on sales and marketing programs and systems development in the U.S. and Europe.

- During the first quarter of 1992, PMSC and IBM's services subsidiary, Integrated Systems Solutions Corporation, announced an agreement to jointly provide outsourcing services to the entire insurance industry--property and casualty, life, and health.

PMSC's total 1991 revenue reached $415.4 million, a 20% increase over 1990 revenue of $346.1 million. Net income rose 28%, from $37.2 million in 1990 to $47.6 million in 1991. A five-year financial summary follows:

POLICY MANAGEMENT SYSTEMS CORPORATION
FIVE-YEAR FINANCIAL SUMMARY
($ millions, except per share data)

	FISCAL YEAR					
ITEM	1991	1990	1989	1988	1987	CAGR
Revenue	$415.4	$346.1	$265.6	$216.9	$180.0	23%
· Percent increase from previous year	20%	30%	22%	21%	20%	
Income before taxes	$72.7	$55.5	$40.6	$31.1	$27.1	28%
· Percent increase from previous year	31%	37%	31%	15%	41%	
· Operating margin	18%	16%	14%	15%	15%	
Net income	$47.6	$37.2	$26.8	$20.5	$17.1	29%
· Percent increase from previous year	28%	39%	31%	20%	24%	
· Net margin	11%	11%	10%	9%	10%	
Earnings per share	$2.21	$1.92	$1.60	$1.30	$1.05	20%
· Percent increase from previous year	15%	20%	23%	24%	24%	

PMSC management attributes the growth in revenue from 1988 to 1991 to an increase in the number of system licenses, a greater volume of services performed for customers, the addition of revenues from business acquisitions and, to a lesser degree, price increases.

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Research and development expenditures were $68.0 million (16% of revenue) in 1991, $58.2 million (17% of revenue) in 1990, $45.5 million (17% of revenue) in 1989, and $36.3 million (17% of revenue) in 1988.

- During 1987, PMSC began a six-year, $10 million-plus development project involving a new generation of systems called Series III designed around IBM's Systems Application Architecture (SAA).

During 1991, PMSC made the following acquisitions/agreements:

- In January 1991, PMSC acquired Management Data Communications Corporation (MDC) of Chicago (IL) for $5.9 million. MDC provides applications software and processing services to the group health insurance industry in the U.S.

- Effective September 1991, PMSC entered into a ten-year agreement to provide complete systems management and data processing services to FAI Insurance Limited of Sydney (Australia). Pursuant to this agreement, PMSC acquired the majority of the data processing assets and operations of FAI for approximately $12 million in cash and an interest-bearing promissory note.

Revenue for the three months ending March 31, 1992 reached $116.1 million, a 20% increase over $96.4 million for the same period in 1991. Net income rose 31%, from $10.5 million to $13.7 million.

PMSC is organized into five groups as follows:

- The Industry Markets Group is responsible for all European and U.S. sales and marketing of the company's Property & Casualty and Life products and services.

- The Technology Solutions Group is responsible for all Canadian operations and provides applications software, using IBM SAA-based systems, and customer assistance with implementing and operating the systems.

- The Financial Markets Group is responsible for all Asian and Pacific operations and provides the development and implementation of Life and Health systems and services in addition to sales and marketing of the company's Health products.

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- The Insurance Services Group is responsible for General Information Services, including property services, automobile services (MVR), and third-party administration marketing and services.

- The Operations Group is responsible for the day-to-day operation of PMSC, its headquarters and data centers, financial and legal services, physical facilities, and personnel and employee development.

Key Products and Services

Approximately 82% of PMSC's 1991 revenue was derived from processing and support services and electronic (general) information services, and 18% from applications software product licenses.

- PMSC's strategy is to build a larger base of recurring systems licensing and services revenues. As a result, initial software license charges have continually declined, representing only 7.5% of total revenues in 1991, compared to 16.4% in 1985.

- A three-year summary of source of revenue, as provided by PMSC, follows:

POLICY MANAGEMENT SYSTEMS CORPORATION
THREE-YEAR SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	1991		1990		1989	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
Processing, network, and support services	$342.0	82%	$272.0	79%	$205.4	77%
Software licenses	73.4	18%	74.1	21%	60.2	23%
TOTAL	**$415.4**	**100%**	**$346.1**	**100%**	**$265.6**	**100%**

PMSC's target market for its products and services is the over 3,200 property and casualty insurance companies, over 6,000 group life and health providers, and independent agents and adjusters in the U.S. and Canada. PMSC also offers its software products and related automation support services in 21 foreign countries.

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- As of December 31, 1991, PMSC was providing its network information services to more than 7,000 insurance companies, agents, and adjusters and had a total of 2,849 software systems licenses in force.

PMSC currently offers over 100 primary products and services, including more than 70 software products. The company's current software products and information services are summarized in the exhibits.

PMSC's primary software products run on medium and large-scale IBM and compatible computers. In addition, certain products run on microcomputers and intelligent workstations.

- Software products automate most insurance processing functions, as well as various accounting, financial reporting, and cash management functions.

- Series III is an integrated family of products targeted to large companies that will fully automate the insurance process from the initial application for insurance to annual statement preparation.

 - Series III is being developed around IBM's SAA, which allows for cooperative processing, systems portability, expert systems, intelligent workstations, and relational data bases.

 - Series III WorkNet systems will automate information gathering and decision support functions such as sales and marketing, underwriting, and claims review and settlement.

 - Series III I-Base systems will store and manage data and automate scheduled activities, such as billing and collection and statutory and management reporting.

 - PMSC has commitments from 20 insurance companies to use various Series III components and assist in defining system requirements.

PMSC customers may use software licensed from the company on a remote processing basis through PMSC's data and remote service centers located in Columbia (SC), Toronto, Chicago, Dallas, Boston, and Lawrenceville (NJ).

PMSC also offers specialty processing services to its customers for unique, highly regulated business, such as Massachusetts automobile, Texas personal lines, and automobile assigned risk plans.

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EXHIBIT A

POLICY MANAGEMENT SYSTEMS CORPORATION
MAINFRAME- AND MINI-BASED APPLICATIONS SOFTWARE PRODUCTS

PRODUCT/DESCRIPTION	PRODUCT/DESCRIPTION
Insurance Industry Systems	**Life and Health Systems**
BCMS* - Billing and Collection Management System	Casewriter - On-line group underwriting systems
CDS - Common Disbursement System	Group-Comm - Group administration system
CIMS - Corporate Investment Management System - CIMS: SECURITIES - CIMS: MORTGAGES	The Examiner - Claims adjudication system
	ExClaim* - Health claims adjudication system
CIS* - Client Information System	PMS/Life - Individual life and health administration system
FMS - Financial Management System	Casewriter/PC - Proposal generation system
IAP* - Integrated Application Platform	CAPSule - Health Claims Reporting System
MDS - Management Decision Support	PDSS* - Product Development Support System
UCS - Universal Control System	CAPS - Claims Administration and Payment System for commercial carriers
WIP - Work In Progress - Project manager	
Property and Casualty Systems	PA&R - Provider Administration and Reimbursement System
ACA - Advanced Communications Access	ADMIN - Group Administration and Billing System
APS - Advanced Processing System	MOS - Multiple Option Solution
AFG - Advanced Forms Generator for APS	CAS II - Claims Administration System
IMIS* - Insurance Management Information System	BES - Billing and Eligibility System
PMS - Policy Management System	CAPS - Claims Administration and Payment System for Blue Cross and Blue Shield plans

* *Series III system*

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EXHIBIT B

POLICY MANAGEMENT SYSTEMS CORPORATION
WORKSTATION SYSTEMS/GENERAL INFORMATION SERVICES

PRODUCT	DESCRIPTION
Workstation Systems	
BCWS	Billing and Collections Information System
CATS	Claims Adjuster Tracking System
CIWS	Client Information Workstation
CHS*	Claims Handling System
CWS*	Claims Workstation - fully integrated
MMS*	Micro Mainframe System for processing commercial and personal lines
MWS*	Management Information - capture and display
TM	Rating and telemarketing system
IQM	Insurance Quoting Machine for rate quoting
AWS	Agency Workstation (The Bundle)
ARG	Application Record Generator
ADMS	Automated Distribution Management System
UHS	Underwriting Handling System
General Information Services	
Comprehensive Auto Risk Evaluation (CARE)	Automobile underwriting information services
- CARE: MVRs	Motor vehicle reports service
- CARE: Insurance Claims Exchange (ICE)	Automobile claims histories data base
- CARE: Undisclosed Driver Information (UDI)	Licensed driver data base
- CARE: Auto Class Evaluation	Transaction-based verification services
Risk Evaluation Services (RES)	Property underwriting information services
- RES: Personal Lines Inspections	Personal lines underwriting inspections data base service
- RES: Commercial Lines Inspections and Surveys	Transaction-based commercial lines underwriting inspections and surveys data base service
- RES: Consumer Credit Reports	TransUnion Corporation and TRW Credit Data Service credit report access
GIS: Location Reports	Address location service (primarily data base)
GIS: Premium Audit Services	Transaction-based premium audit service
GIS: Comp-U-Claim	Micro-based claims estimating system
GIS: Comp-U-Value	Micro-based residential replacement cost estimating service
GIS: Life & Health Underwriting Reports	Transaction-based life and health inspection reports and attending physicians' statements
GIS: Personnel Investigations	Pre-employment investigative reports
GIS: Market Research	General research reports for customers involved in direct consumer contact
GIS: Autocheck	Auto physical damage inspection

* *Series III system*

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PMSC also offers complete outsourcing solutions for clients' MIS requirements, including systems management, processing, administrative support, policyholder services, and claims support.

PMSC provides third-party administration, including complete processing and full clerical and policyholder services support for private passenger and commercial automobile assigned risk and similar types of business.

- PMSC continues to work with the Market Transition Facility, formerly the New Jersey Automobile Full Insurance Underwriting Association.

Electronic (general) information services provided to insurance companies, agents, and adjusters are designed to assist insurance professionals in making better decisions about risk selection, pricing, and claims settlement.

- Approximately $62.3 million (15% of revenue) for 1991 was derived from motor vehicle reports provided to customers. These services generated $58.8 million in revenue during 1990.

Professional services provided to PMSC clients include systems implementation and integration assistance, consulting, and education and training.

PMSC has third-party marketing agreements with certain software vendors to market certain of their systems software products to PMSC customers. Typically, these products are designed to perform non-insurance functions or to improve the control and productivity of computer resources.

Industry Markets

Virtually all of PMSC's 1991 revenue was derived from the insurance industry, including property and casualty (80%), group life and health companies (19%), and independent agents and adjusters (1%).

Geographic Markets

Approximately 92% of PMSC's 1991 revenue was derived from the U.S. and Canada, and the remaining 8% from other countries.

A three-year summary of geographic source of revenue follows:

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POLICY MANAGEMENT SYSTEMS CORPORATION
THREE-YEAR GEOGRAPHIC SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	1991		1990		1989	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
U.S. and Canada	$380.2	92%	$327.0	94%	$239.9	90%
Other	35.2	8%	19.1	6%	25.7	10%
TOTAL	**$415.4**	**100%**	**$346.1**	**100%**	**$265.6**	**100%**

PMSC has approximately 65 offices worldwide.

- Regional Data and Remote Service Centers are located in Columbia (SC), Boston, Chicago, Lawrenceville (NJ), Dallas, and Toronto.
- General Information Services, headquartered in Columbia (SC), has sales offices in Orange and Glendale (CA), Denver (CO), Newington (CT), Chesterland (OH), Dallas, Altamonte Springs (FL), Elmhurst (IL), Mount Laurel (NJ), and Brookfield (WI).
- Foreign subsidiaries are located in Barbados, Canada, London, and the Netherlands.

Computer Hardware and Software

PMSC offers its customers the option of using software licensed from PMSC on a remote processing basis through data and remote service centers located in Columbia (SC), Toronto, Chicago, Boston, Dallas, and Lawrenceville (NJ).

- PMSC maintains seventeen large-, medium-, and small-scale IBM mainframes running at 75% to 80% of capacity at these centers.

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POLICY MANAGEMENT SYSTEMS CORPORATION
P.O. Box Ten
Columbia, SC 29202
(803) 735-4000

G. Larry Wilson, Chairman, President, and CEO
Public Corporation, NYSE
Total Employees: 4,204 (12/90)
Total Revenue, Fiscal Year End 12/31/90: $346,084,000

The Company

Policy Management Systems Corporation (PMSC) provides processing and electronic (general) information services, application software products, and associated support services to the insurance industry.

- PMSC was formed in 1974 as the PMS Division of Seibels, Bruce & Company. Data processing and related services were provided to Seibels on the basis of actual cost, which did not include a profit factor.

- In September 1981, Seibels transferred the assets and business operations of the PMS Division to PMSC in exchange for shares of common stock, and an agreement was formed under which PMSC would continue to provide services to Seibels at rates comparable to those charged to unaffiliated customers for similar services.

- Portions of proceeds from public stock offerings made by PMSC in 1981, 1983, 1984, and 1985 have been used to repurchase and retire PMSC common stock held by Seibels. Currently, Seibels' holdings represent less than 1% of the outstanding common stock of the company.

- Since July 1990, the company's stock has been trading on the New York Stock Exchange. Previously, the stock was traded over the counter.

Prior to 1989, PMSC and IBM had worked together under various agreements. In 1989, this relationship was strengthened through IBM's acquisition of a 19.8% minority equity interest in PMSC for $116.8 million.

- As part of this transaction, IBM and PMSC agreed to work closely together to develop and market automated solutions for

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the insurance industry, collaborating on sales and marketing programs and systems development in the U.S. and Europe.

PMSC's total 1990 revenue reached $346.1 million, a 30% increase over 1989 revenue of $265.6 million. Net income rose 39%, from $26.8 million in 1989 to $37.2 million in 1990. A five-year financial summary follows:

POLICY MANAGEMENT SYSTEMS CORPORATION
FIVE-YEAR FINANCIAL SUMMARY
($ millions, except per share data)

	FISCAL YEAR					
ITEM	1990	1989	1988	1987	1986	CAGR
Revenue	$346.1	$265.6	$216.9	$180.0	$150.6	23%
· Percent increase from previous year	30%	22%	21%	20%	46%	
Income before taxes	$55.5	$40.6	$31.1	$27.1	$19.2	30%
· Percent increase (decrease) from previous year	37%	31%	15%	41%	(6%)	
· Operating margin	16%	14%	15%	15%	13%	
Net income	$37.2	$26.8	$20.5	$17.1	$13.8	28%
· Percent increase (decrease) from previous year	39%	31%	20%	24%	(4%)	
· Net margin	11%	10%	9%	10%	9%	
Earnings per share	$1.92	$1.60	$1.30	$1.05	$0.85	23%
· Percent increase (decrease) from previous year	20%	23%	24%	24%	(5%)	

PMSC management attributes the growth in revenue from 1988 to 1990 to an increase in the number of system licenses, a greater volume of services performed for customers, the addition of revenues from business acquisitions and, to a lesser degree, price increases.

- Revenue growth for 1990 was higher than the company's normal growth as a result of acquisitions made during 1989, including Advanced System Applications, Inc., PMSC's largest acquisition.

Research and development expenditures were $58.2 million (17% of revenue) in 1990, $45.5 million (17% of revenue) in 1989, $36.3 million (17% of revenue) in 1988, and $30.7 million (17% of revenue) in 1987.

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- During 1987, PMSC began a six-year, $100 million plus, development project involving a new generation of systems called Series III designed around IBM's Systems Application Architecture (SAA).

Revenue for the three months ending March 31, 1991 was $96.4 million, a 20% increase over $80.3 million for the same period in 1990. Net income was $10.5 million, a 22% increase over $8.6 million for the same period a year ago.

Acquisitions made by PMSC include the following:

- In January 1991, PMSC acquired Management Data Communications Corporation (MDC) of Chicago (IL) for $5.9 million. MDC provides application software and processing services to the group health insurance industry in the U.S.

- In November 1990, PMSC acquired PMS, Inc. of Waco (TX) for $9.1 million. PMS provides information services, particularly attending physician statements and personal history interviews to the life and health insurance industry throughout the U.S.

- In November 1989, PMSC acquired Advanced System Applications, Inc. (ASA) of Bloomingdale (IL) for approximately $16 million in cash and an interest-bearing promissory note.

 - ASA provides software and processing services to the group health insurance industry, particularly Blue Cross/Blue Shield organizations.

 - ASA had approximately 700 employees at the time of the acquisition and 1988 revenue of $48.7 million.

PMSC is organized into five groups as follows:

- The Industry Markets Group is responsible for all European and U.S. sales and marketing of the company's Property & Casualty and Life products and services.

- The Technology Solutions Group is responsible for all Canadian operations and provides application software, using IBM SAA-based systems, and customer assistance with implementing and operating the systems.

- The Financial Markets Group is responsible for all Asian and Pacific operations and provides the development and implementation of Life and Health systems and services in

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addition to sales and marketing of the company's Health products.

- The Insurance Services Group is responsible for General Information Services, including property services, automobile services (MVR), and third-party administration marketing and services.
- The Operations Group is responsible for the day-to-day operation of PMSC, its headquarters and data centers, financial and legal services, physical facilities, and personnel and employee development.

Key Products and Services

Approximately 79% of PMSC's 1990 revenue was derived from processing and support services and electronic (general) information services, and 21% from application software product licenses.

A three-year summary of source of revenue, as provided by PMSC, follows:

POLICY MANAGEMENT SYSTEMS CORPORATION
THREE-YEAR SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	1990		1989		1988	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
Processing, network, and support services	$272.0	79%	$205.4	77%	$163.8	76%
Software licenses	74.1	21%	60.2	23%	53.1	24%
TOTAL	**$346.1**	**100%**	**$265.6**	**100%**	**$216.9**	**100%**

PMSC's target market for its products and services is the over 3,100 property and casualty insurance companies, over 4,000 group life and health providers, and independent agents and adjusters in the U.S. and Canada. PMSC also offers its software products and related automation support services in 21 foreign countries.

- As of December 31, 1990, PMSC was providing its network information services to more than 6,000 insurance companies,

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agents, and adjusters and had a total of 2,439 software systems licenses in force.

PMSC currently offers over 100 primary products and services, including more than 50 software products. The company's current software products and information services are summarized in the exhibits.

PMSC's primary software products run on medium and large-scale IBM and IBM compatible computers. In addition, certain products run on microcomputers and intelligent workstations.

- Software products automate most insurance processing functions, as well as various accounting, financial reporting, and cash management functions.

- Series III is an integrated family of products targeted to large companies that will fully automate the insurance process from the initial application for insurance to annual statement preparation.

 - Series III is being developed around IBM's SAA, which allows for cooperative processing, systems portability, expert systems, intelligent workstations, and relational data bases.

 - Series III WorkNet systems will automate information gathering and decision support functions such as sales and marketing, underwriting, and claims review and settlement.

 - Series III I-Base systems will store and manage data and automate scheduled activities, such as billing and collection and statutory and management reporting.

 - PMSC has commitments from 20 insurance companies to use various Series III components and assist in defining system requirements.

PMSC customers may use software licensed from the company on a remote processing basis through PMSC's data and remote service centers located in Columbia (SC), Toronto, Chicago, Dallas, Boston, and Lawrenceville (NJ).

PMSC also offers specialty processing services to its customers for unique, highly regulated business, such as Massachusetts automobile, Texas personal lines, and automobile assigned risk plans.

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EXHIBIT A

POLICY MANAGEMENT SYSTEMS CORPORATION
MAINFRAME-BASED APPLICATION SOFTWARE PRODUCTS

PRODUCT/DESCRIPTION	PRODUCT/DESCRIPTION
Insurance Industry Systems	**Life and Health Systems**
BCMS* - Billing and Collection Management System	Casewriter - On-line group underwriting systems
CDS - Common Disbursement System	Group-Comm - Group administration system
CIMS - Corporate Investment Management System - CIMS: SECURITIES - CIMS: MORTGAGES	The Examiner - Claims adjudication system
	ExClaim* - Health claims adjudication system
CIS* - Client Information System	PMS/Life - Individual life and health administration system
FMS - Financial Management System	Casewriter/PC - Proposal generation system
UCS - Universal Control System	CAPS - Claims Administration and Payment System for commercial carriers
Property and Casualty Systems	ADMIN - Group Administration and Billing System
ACA - Advanced Communications Access	MOS - Multiple Option Solution
APS - Advanced Processing System	CAS II - Claims Administration System
AFG - Advanced Forms Generator for APS	BES - Billing and Eligibility System
IMIS* - Insurance Management Information System	CAPS - Claims Administration and Payment System for Blue Cross and Blue Shield plans
PMS - Policy Management System	CAPSule - Health Claims Reporting System
	PA&R - Provider Administration and Reimbursement System

* *Series III system*

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EXHIBIT B

POLICY MANAGEMENT SYSTEMS CORPORATION
WORKSTATION SYSTEMS/GENERAL INFORMATION SERVICES

PRODUCT	DESCRIPTION
Workstation Systems	
CATS	Claims Adjuster Tracking System
CHS*	Claims Handling System
MMS*	Micro Mainframe System for processing commercial and personal lines
TM	Rating and telemarketing system
IQM	Insurance Quoting Machine for rate quoting
AWS	Agency Workstation (The Bundle)
ARG	Application Record Generator
ADMS	Automated Distribution Management System
UHS	Underwriting Handling System
General Information Services	
Comprehensive Auto Risk Evaluation (CARE)	Automobile underwriting information services
- CARE: MVRs	Motor vehicle reports service
- CARE: Insurance Claims Exchange (ICE)	Automobile claims histories data base
- CARE: Undisclosed Driver Information (UDI)	Licensed driver data base
- CARE: Auto Class Evaluation	Transaction-based verification services
Risk Evaluation Services (RES)	Property underwriting information services
- RES: Personal Lines Inspections	Personal lines underwriting inspections data base service
- RES: Commercial Lines Inspections and Surveys	Transaction-based commercial lines underwriting inspections and surveys data base service
- RES: Consumer Credit Reports	TransUnion Corporation and TRW Credit Data Service credit report access
GIS: Location Reports	Address location service (primarily data base)
GIS: Premium Audit Services	Transaction-based premium audit service
GIS: Compu-U-Claim	Micro-based claims estimating system
GIS: Compu-U-Value	Micro-based residential replacement cost estimating service
GIS: Life & Health Underwriting Reports	Transaction-based life and health inspection reports and attending physicians' statements
GIS: Personnel Investigations	Pre-employment investigative reports
GIS: Market Research	General research reports for customers involved in direct consumer contact
GIS: Autocheck	Auto physical damage inspection

* *Series III system*

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PMSC provides third-party administration, including complete processing and full clerical and policyholder services support for private passenger and commercial automobile assigned risk and similar types of business.

- PMSC continues to work with the Market Transition Facility, formerly the New Jersey Automobile Full Insurance Underwriting Association.

Electronic (general) information services provided to insurance companies, agents, and adjusters are designed to assist insurance professionals in making better decisions about risk selection, pricing, and claims settlement.

- Approximately $58.8 million (17% of revenue) for 1990 was derived from motor vehicle reports provided to customers. These services generated $55.8 million in revenue during 1989.

Professional services provided to PMSC clients include systems implementation and integration assistance, consulting, and education and training.

PMSC has third-party marketing agreements with certain software vendors to market certain of their systems software products to PMSC customers. Typically, these products are designed to perform non-insurance functions or to improve the control and productivity of computer resources.

Industry Markets

Virtually all of PMSC's 1990 revenue was derived from the insurance industry, including property and casualty (80%), group life and health companies (19%), and independent agents and adjusters (1%).

Geographic Markets

Approximately 94% of PMSC's 1990 revenue was derived from the U.S. and Canada, and the remaining 6% from other countries.

A three-year summary of geographic source of revenue follows:

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POLICY MANAGEMENT SYSTEMS CORPORATION
THREE-YEAR GEOGRAPHIC SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	1990		1989		1988	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
U.S. and Canada	$327.0	94%	$239.9	90%	$202.3	93%
Other	19.1	6%	25.7	10%	14.6	7%
TOTAL	**$346.1**	**100%**	**$265.6**	**100%**	**$216.9**	**100%**

PMSC has over 65 offices worldwide.

- Regional Data and Remote Service Centers are located in Columbia (SC), Boston, Chicago, Lawrenceville (NJ), Dallas, and Toronto.
- General Information Services, headquartered in Columbia (SC), has sales offices in Orange and Glendale (CA), Denver (CO), Newington (CT), Chesterland (OH), Dallas, Altamonte Springs (FL), Elmhurst (IL), Mount Laurel (NJ), and Brookfield (WI).
- Foreign subsidiaries are located in Barbados, Canada, London, and the Netherlands.

Computer Hardware and Software

PMSC offers its customers the option of using software licensed from PMSC on a remote processing basis through data and remote service centers located in Columbia (SC), Toronto, Chicago, Boston, Dallas, and Lawrenceville (NJ).

- Five large-scale and six medium-scale IBM mainframes are used throughout these centers.

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POLICY MANAGEMENT SYSTEMS CORPORATION
P.O. Box Ten
Columbia, SC 29202
(803) 735-4000

G. Larry Wilson, Chairman and President
Public Corporation, OTC
Total Employees: 4,023
Total Revenue, Fiscal Year End
12/31/89: $265,615,000

The Company

Policy Management Systems Corporation (PMSC) provides processing and electronic (general) information services, application software products, and associated support services to the insurance industry.

- PMSC was formed in 1974 as the PMS Division of Seibels, Bruce & Company. Data processing and related services were provided to Seibels on the basis of actual cost, which did not include a profit factor.

- In September 1981, Seibels transferred the assets and business operations of the PMS Division to PMSC in exchange for shares of common stock and an agreement was formed under which PMSC would continue to provide services to Seibels at rates comparable to those charged to unaffiliated customers for similar services.

- Portions of proceeds from public stock offerings made by PMSC in 1981, 1983, 1984, and 1985 have been used to repurchase and retire PMSC common stock held by Seibels. Currently, Seibels' holdings represent less than 1% of the outstanding common stock of the company.

Prior to 1989, PMSC and IBM had worked together under various agreements. In 1989, this relationship was strengthened through the acquisition by IBM of a 19.8% minority equity interest in PMSC for $116.8 million.

- As part of this transaction, IBM and PMSC agreed to work closely together to develop and market automated solutions for the insurance industry, collaborating on sales and marketing programs and systems development.

PMSC's total 1989 revenue reached $265.6 million, a 22% increase over 1988 revenue of $216.9 million. Net income rose 31%, from

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$20.5 million in 1988 to $26.8 million in 1989. A five-year financial summary follows:

POLICY MANAGEMENT SYSTEMS CORPORATION
FIVE-YEAR FINANCIAL SUMMARY
($ millions, except per share data)

	FISCAL YEAR					
ITEM	1989	1988	1987	1986	1985	CAGR
Revenue	$265.6	$216.9	$180.0	$150.6	$102.8	27%
• Percent increase from previous year	22%	21%	20%	46%	21%	
Income before taxes	$40.6	$31.1	$27.1	$19.2	$20.4	19%
• Percent increase (decrease) from previous year	31%	15%	41%	(6%)	5%	
• Operating margin	14%	15%	15%	13%	18%	
Net income	$26.8	$20.5	$17.1	$13.8	$14.4	17%
• Percent increase (decrease) from previous year	31%	20%	24%	(4%)	5%	
• Net margin	10%	9%	10%	9%	14%	
Earnings per share	$1.60	$1.30	$1.05	$0.85	$0.89	16%
• Percent increase (decrease) from previous year	23%	24%	24%	(5%)	5%	

PMSC management attributes the growth in revenue from 1987 to 1989 to an increase in the number of system licenses, a greater volume of services performed for customers, the addition of revenues from recent business acquisitions and, to a lesser degree, price increases.

Research and development expenditures were $45.5 million (17% of revenue) in 1989, $36.3 million (17% of revenue) in 1988, and $30.7 million (17% of revenue) in 1987.

- During 1987, PMSC began a six-year, $100-million plus, development project involving a new generation of systems called Series III designed around IBM's Systems Application Architecture (SAA).

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In November 1989, PMSC acquired Advanced System Applications, Inc. (ASA) of Bloomingdale (IL) for approximately $16 million in cash and an interest-bearing promissory note.

- ASA provides software and processing services to the group health insurance industry, particularly Blue Cross/Blue Shield organizations.
- ASA had approximately 700 employees at the time of the acquisition and 1988 revenue of $48.7 million.

PMSC is organized into six groups as follows:

- The Life and Health Systems and Services Group provides development and implementation of software for clients ranging from small to large Blue Cross/Blue Shield organizations.
- The Life and Health Sales and Marketing Group provides sales and marketing of PMSC's life and health products and services.
- The Property and Casualty Systems and Services Group provides application software using IBM SAA-based systems and customer assistance with the implementation and operation of the systems.
- The General Information Services Group provides processing services for motor vehicle reports, credit reports, and valuation reports.
- The Field Operations Group is responsible for worldwide sales and marketing of PMSC's property and casualty products and services.
- The Operations Group is responsible for the day-to-day operation of PMSC, its headquarters and data centers, financial and legal services, physical facilities, and personnel and employee development.

Competitors to PMSC include Equifax and several smaller companies.

Key Products and Services

Approximately 40% of PMSC's 1989 revenue was derived from processing and support services, 37% from electronic (general) information services, and 23% from application software product licenses.

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A three-year summary of source of revenue, as provided by PMSC, follows:

POLICY MANAGEMENT SYSTEMS CORPORATION
THREE-YEAR SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	1989		1988		1987	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
Processing, network, and support services	$205.4	77%	$163.8	76%	$129.9	72%
Software licenses	60.2	23%	53.1	24%	50.1	28%
TOTAL	**$265.6**	**100%**	**$216.9**	**100%**	**$180.0**	**100%**

PMSC's target market for its products and services is the over 3,100 property and casualty insurance companies, over 4,000 group life and health providers, and independent agents and adjusters in the U.S. and Canada. PMSC also offers its software products and related automation support services in 20 foreign countries.

- As of December 31, 1989, PMSC was providing its network information services to more than 5,300 insurance companies, agents, and adjusters and had a total of 2,143 software systems licenses in force.

PMSC currently offers 80 primary products and services, including 40 software products. The company's current software product and information services are summarized in the exhibits.

PMSC's primary software products run on medium and large-scale IBM and IBM compatible computers. The company also offers certain products for microcomputers and intelligent workstations.

- Software products automate most insurance processing functions, as well as various accounting, financial reporting, and cash management functions.

- Series III is an integrated family of products targeted to large companies that will fully automate the insurance process from the initial application for insurance to annual statement preparation.

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EXHIBIT A

POLICY MANAGEMENT SYSTEMS CORPORATION
MAINFRAME-BASED APPLICATION SOFTWARE PRODUCTS

PRODUCT/DESCRIPTION	PRODUCT/DESCRIPTION
Insurance Industry Systems	**Life and Health Systems**
BCMS* - Billing and Collection Management System	Casewriter - On-line group underwriting systems
CDS - Common Disbursement System	Group-Comm - Group administration system
CIMS - Corporate Investment Management System - CIMS: SECURITIES - CIMS: STOCK AND BOND - CIMS: MORTGAGES	The Examiner - Claims adjudication system
CIS* - Client Information System	ExClaim* - Health claims adjudication system
FMS - Financial Management System	PMS/Life - Individual life and health administration system
UCS - Universal Control System	Casewriter/PC - Proposal generation system
Property and Casualty Systems	CAPS - Claims Administration and Payment System for commercial carriers
ACA - Advanced Communications Access	ADMIN - Group Administration and Billing System
APS - Advanced Processing System	MOS - Multiple Option Solution
IMIS* - Insurance Management Information System	CAS II - Claims Administration System
PMS - Policy Management System	BES - Billing and Eligibility System
	CAPS - Claims Administration and Payment System for Blue Cross and Blue Shield plans
	CAPSule - Health Claims Reporting System

* *Series III system*

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EXHIBIT B

POLICY MANAGEMENT SYSTEMS CORPORATION
WORKSTATION SYSTEMS/GENERAL INFORMATION SERVICES

PRODUCT	DESCRIPTION
Workstation Systems	
CATS	Claims Adjuster Tracking System
CHS*	Claims Handling System
MMS*	Micro Mainframe System for processing commercial and personal lines
TM	Rating and telemarketing system
IQM	Insurance Quoting Machine for rate quoting
AWS	Agency Workstation (The Bundle)
ARG	Application Record Generator
ADMS	Automated Distribution Management System
General Information Services	
Comprehensive Auto Risk Evaluation (CARE)	Automobile underwriting information services
• CARE: MVRs	Motor vehicle reports service
• CARE: Insurance Claims Exchange (ICE)	Automobile claims histories data base
• CARE: Undisclosed Driver Information (UDI)	Licensed driver data base
• CARE: Auto Class Evaluation (ACE)	Transaction-based verification services
Property Risk Evaluation Services (PRES)	Property underwriting information services
• PRES: Personal Lines Inspections	Personal lines underwriting inspections data base service
• PRES: Commercial Lines Inspections and Surveys	Transaction-based commercial lines underwriting inspections and surveys data base service
• PRES: Consumer Credit Reports	TRW Credit Data Service and TransUnion Credit Information Company credit report access
GIS: Location Reports	Address data base service
GIS: Premium Audit Services	Transaction-based premium audit service
GIS: Compu-U-Claim	Micro-based claims estimating system
GIS: Compu-U-Value	Micro-based residential appraisal system
GIS: Life & Health Underwriting Reports	Transaction-based life and health inspection reports and attending physicians' statements
GIS: Personnel Investigations	Pre-employment investigative reports
GIS: Market Research	General research reports for customers

* *Series III system*

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- Series III is being developed around IBM's SAA, which allows for cooperative processing, systems portability, expert systems, intelligent workstations, and relational data bases.

- Series III WorkNet systems will automate information gathering and decision support functions such as sales and marketing, underwriting, and claims review and settlement.

- Series III I-Base systems will store and manage data and automate scheduled activities, such as billing and collection and statutory and management reporting.

- During 1989, six property and casualty insurance companies (three in the U.S. and three in Europe) agreed to assist in the development of Series III.

Clients may license PMSC software on a remote processing basis through PMSC data and remote service centers located in Columbia, Toronto, Dallas, Boston, and Lawrenceville (NJ).

PMSC also offers specialty processing services for unique, highly regulated business, such as Massachusetts automobile, Texas personal lines, and automobile assigned risk plans.

PMSC provides third-party administration, including complete processing and full clerical and policyholder services support for private passenger and commercial automobile assigned risk and similar types of business.

- In 1988, PMSC entered into a three-year agreement to provide policy and claims administration services to the New Jersey Automobile Full Insurance Underwriting Association (JUA) relating to insurance for certain high-risk drivers in New Jersey.

 - PMSC currently supports approximately 115,000 policies. Revenue from these services was approximately $9.3 million in 1989.

 - In March 1990, the state of New Jersey passed legislation that will effectively eliminate the JUA over a two-year period. PMSC is currently negotiating amendments to its existing agreement with the JUA to reduce the impact of the scheduled decline in business from the JUA.

Approximately $97 million of PMSC's 1989 revenue was derived from electronic (general) information services provided to insurance companies, agents, and adjusters. These services are

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designed to assist insurance professionals in making better decisions about risk selection, pricing, and claims settlement.

- Approximately $55.8 million of electronic information services revenue was derived from motor vehicle reports provided to customers.

Professional services provided to PMSC clients include systems implementation and integration assistance, consulting, and education and training.

PMSC has third-party marketing agreements with certain software vendors to market certain of their systems software products to PMSC customers. Typically, these products are designed to perform non-insurance functions or to improve the control and productivity of computer resources.

Industry Markets

Virtually all of PMSC's 1989 revenue was derived from the insurance industry, including property and casualty (91%), group life and health companies (8%), and independent agents and adjusters (1%).

Geographic Markets

Approximately 90% of PMSC's 1989 revenue was derived from the U.S. and Canada, and the remaining 10% from other foreign sources.

A three-year summary of geographic source of revenue follows:

POLICY MANAGEMENT SYSTEMS CORPORATION
THREE-YEAR GEOGRAPHIC SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	1989		1988		1987	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
U.S. and Canada (a)	$239.9	90%	$202.3	93%	$169.8	94%
Other	25.7	10%	14.6	7%	10.3	6%
TOTAL	**$265.6**	**100%**	**$216.9**	**100%**	**$180.1**	**100%**

(a) Includes revenue from Canada of $11.9 million in 1989, $12.8 million in 1988, and $10.6 million in 1987.

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PMSC has over 55 offices worldwide.

- Regional Data and Remote Service Centers are located in Columbia (SC), Boston, Lawrenceville (NJ), Dallas, Ontario (Canada), and Israel.
- General Information Services, headquartered in Columbia, has sales offices in Orange and Glendale (CA), Denver (CO), Newington (CT), Chesterland (OH), Dallas, Altamonte Springs (FL), Elmhurst (IL), Mount Laurel (NJ), and Brookfield (WI).
- Foreign subsidiaries are located in Canada, Israel, and London, England.

Computer Hardware and Software

PMSC offers its customers the option of using software licensed from PMSC on a remote processing basis through data and remote service centers located in Columbia, Toronto, Boston, Dallas, and Lawrenceville (NJ).

- Five large-scale and four medium-scale IBM mainframes are used throughout these centers.

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POLICY MANAGEMENT SYSTEMS CORPORATION
P.O. Box Ten
Columbia, SC 29202
(808) 735-4000

G. Larry Wilson, Chairman and President
Public Corporation, OTC
Total Employees: 2,577
Total Revenue, Fiscal Year End
12/31/87: $180,035,000

The Company

Policy Management Systems Corporation (PMSC) provides processing services, application software products, and associated support services to the property and casualty and group life and health insurance companies and independent agents and adjusters. During 1987 the company expanded its target market to include federal and state governments.

- PMSC was formed in 1974 as the PMS Division of Seibels, Bruce & Company. Data processing and related services were provided to Seibels on the basis of actual cost, which did not include a profit factor.

- In September 1981 Seibels transferred the net assets and business operations of the PMS Division to PMSC in exchange for shares of common stock and an agreement was formed under which PMSC would continue to provide services to Seibels at rates comparable to those charged unaffiliated customers for similar services.

- Portions of proceeds from public stock offerings made by PMSC in 1981, 1983, 1984, and 1985 have been used to repurchase and retire PMSC common stock held by Seibels. Currently, Seibels' holdings represented less than 1% of the outstanding common stock of the company.

In January 1987 PMSC announced that it had entered into a complementary marketing assistance agreement with IBM under its Industry Marketing Assistance Program (IMAP).

- As an IMAP, PMSC works with IBM to market IBM hardware and systems software and PMSC application software and professional services to the property and casualty and group life and health insurance industries.

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- Under the joint marketing agreement PMSC earns commissions on selected IBM hardware and software sales, while retaining revenues from its own software products.

- This agreement supersedes PMSC's previous Value Added Remarketer agreement with IBM.

PMSC's total 1987 revenue reached $180 million, a 20% increase over 1986 revenue of $150.6 million. Net income rose 24%, from $13.8 million in 1986 to $17.1 million in 1987. A five-year financial summary follows:

POLICY MANAGEMENT SYSTEMS CORPORATION
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

	FISCAL YEAR				
ITEM	1987	1986	1985	1984	1983
Revenue	$180,035	$150,555	$102,831	$84,815	$62,268
• Percent increase from previous year	20%	46%	21%	36%	40%
Income before taxes	$27,135	$19,193 (a)	$20,401 (a)	$19,324 (a)	$13,920
• Percent increase (decrease) from previous year	41%	(6%)	6%	39%	24%
Net income	$17,098	$13,817	$14,394	$13,726	$9,728
• Percent increase (decrease) from previous year	24%	(4%)	5%	41%	47%
Earnings per share	$1.05	$0.85	$0.89	$0.85	$0.63
• Percent increase (decrease) from previous year	24%	(4%)	5%	35%	43%

(a) PMSC restated financial results for 1986, 1985, and 1984 to reflect the retroactive application of Statement No. 96. Benefits of $3 million ($2.75 million in 1986, $100,000 in 1985, and $150,000 in 1984) were applied to the company's profit-sharing retirement plan.

PMSC management attributes 1987 growth in revenue primarily to an increase in the number of systems licensed, a greater volume of services performed for customers, the addition of revenues from recent business acquisitions, and to a lesser degree, price increases.

Research and development expenditures were $30.7 million (17% of revenue) in 1987, compared to $29.3 million (19% of revenue) in 1986 and $26.3 million (26% of revenue) in 1985.

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- Expenditures for 1986 include $4.7 million for development activities on behalf of the Agency Workstation Partnership (which has subsequently been completed), compared to $108,000 in 1987.

- In March 1987 PMSC announced it had begun a six-year, $100 million plus, development project involving a new generation of systems (called Series III) incorporating IBM's Systems Application Architecture (SAA) as a standard.

Acquisitions made by PMSC include the following:

- In November 1987 PMSC acquired MVR Services, Inc., a provider of motor vehicle reports to property and casualty insurance companies in Texas.

- In October 1987 PMSC acquired the majority of the assets and business of Nationwide Computer Services, Inc. (NCS) of Ennis (TX).

 - NCS, with estimated 1986 revenue of $3 million, provides processing services for ordinary life insurance business to about 30 life insurance companies.

 - PMSC plans to integrate NCS's life policy management systems with its new Series III family of systems, including the Client Information System and Billing and Collection Management Systems, to provide a new family of multiline, integrated systems aimed initially at international markets.

- In August 1987 PMSC acquired Jensen & More, Inc. (JMI) of Glendale (CA).

 - JMI, with estimated 1987 revenue of $5 million, provides underwriting information services (primarily commercial properties inspection and premium audit reports) to property and casualty insurance companies located in the western U.S.

- In May 1987 PMSC acquired Aavant Health Management Group, Inc. of New Haven (CT).

 - Aavant is a new start-up company that provides software support services for the functional activities of health maintenance organizations (HMOs) and preferred provider organizations (PPOs).

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- The acquisition enhances PMSC's group insurance systems product base and provides an entry into the managed health care systems market.

- In March 1987 PMSC acquired Allied Research, Incorporated of Salem (OR) and Consolidated Insurance Services, Inc. of Springfield (VA).

 - These companies provide underwriting information services to property and casualty insurance companies located in a nine-state area and in the District of Columbia.

 - The companies had combined 1986 revenues of approximately $2 million.

- From December 1985 through September 1986 PMSC acquired 12 companies which together provide motor vehicle reports, property valuation reports, and both personal and commercial property inspection reports to property and casualty insurance companies to aid in risk selection and pricing. The aggregate consideration paid for these acquisitions was approximately $15 million in cash and promissory notes. Companies acquired include the following:

 Commerical Services, Inc., Madison Heights (MI).
 Insurance Companies Inspection Bureau, Inc., Orange (CA).
 Underwriters Service Company, Inc., Brookfield (WI).
 Underwriters Service Company, Inc., Hopkins (MN).
 Custom Reports, Inc., Des Moines (IA),
 Southwest Reports, Inc., San Antonio (TX).
 O'Hanlon Reports, Inc., Fair Lawn (NJ).

- In February 1986 PMSC acquired the business operations and assets of the Insurance Systems Division of the former Informatics General Corporation (Sterling Software). This acquisition expanded the company's business activities to include providing software systems and services to the group insurance industry.

PMSC is organized into five groups as follows:

- The Systems and Services Group works with customers to implement, modify, customize, and maintain their systems. This group also develops mainframe products and provides processing services based on its proprietary products.

- The Information Services Group provides processing services for motor vehicle reports, credit reports, and valuation reports.

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- The Insurance Services Group provides group and life insurance systems and microcomputer-based systems and services, including workstation products and expert systems development. The group is also responsible for Agency Work Station ("Bundle") marketing.
- The Field Operations Group is responsible for worldwide sales and marketing of PMSC's products and services.
- The Operations Group is responsible for the day-to-day operation of PMSC, its headquarters and data centers, financial and legal services, physical facilities, and personnel and employee development.

Competitors to PMSC include Equifax and several smaller companies.

Key Products and Services

Approximately 72% of PMSC's 1987 revenue was derived from processing and support services and 28% from application software product licenses.

A three year summary of source of revenue, as provided by PMSC, follows:

POLICY MANAGEMENT SYSTEMS CORPORATION
THREE-YEAR SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	1987		1986		1985	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
Processing and support services	$129.9	72%	$102.3	68%	$58.9	57%
Software licenses	50.1	28%	48.3	32%	43.9	43%
TOTAL	**$180.0**	**100%**	**$150.6**	**100%**	**$102.8**	**100%**

PMSC's target market for its products and services is the over 3,100 property and casualty insurance companies, over 4,000 group life and health providers, and independent agents and adjusters in the U.S. and Canada. PMSC also offers it property and casualty products in ten foreign countries.

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- PMSC currently had approximately 500 property and casualty clients and 150 group insurance clients in seven countries.

PMSC's Series III new generation of software systems, announced in March 1987, is being designed to offer relational data base management, intelligent workstations, artificial intelligence/expert systems technology, image processing, advanced networking, and portability functions.

- Series III will feature real-time data management; modular design for improved system response; and electronic capture, transfer, and management of data as it moves through a company's front office across functional lines and hardware. It will incorporate IBM's SAA as a standard.

- Micro Mainframe Systems (MMS), the first of PMSC's Series III products, was announced in the third quarter of 1987 and introduced in the fourth quarter of 1987.

 - MMS provides property and casualty insurance companies with one complete rate quote processing system.

 - MMS supports the Insurance Service Office's Commercial Package Policy, allowing uploading of a computer-rated policy from a microprocessor to a mainframe and portibility of code between mainframes and microprocessors.

- During the second quarter of 1987, Client Information System (CIS), was announced and its prototype was introduced. CIS is scheduled for release in 1988.

 - CIS uses DB2 structure to provide a master index and common repository of information on an insurance company's clients. CIS bridges computer systems, regardless of software product and vendor, and displays all business relationships (including insurance, banking, real estate, and brokerage) that exist between the client and the insurance company.

 - In September 1987 PMSC and Eastman Kodak Company announced a joint agreement to create a software interface between Kodak's KIMS integrated office system (for viewing and manipulating digitized document images and computer-stored data) and PMSC's CIS product. This interface can provide the insurance industry with fully automated policy and image management capabilities.

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PMSC currently provides the following software products to the property and casualty insurance industry:

- Policy Management System (PMS), one of the company's primary products, runs on IBM and compatible mainframes under most IBM operating systems.

 - PMS performs functions related to all phases of the management of property and casualty insurance polices. Principal functions provided by the system include policy rating and premium calculation, policy printing, renewal and endorsement generation, claims administration and management, billing and collection, and certain reinsurance processing.

 - PMS supports the Insurance Service Office's Commercial Package Policy.

- Basic Processing System (BPS), another of the company's primary products, is targeted primarily to insurance companies with annual direct wirtten premiums of up to $75 million.

 - BPS provides the basic functions of PMS, including on-line data capture and editing of premium and loss information, claims handling, policy level reinsurance, and reporting.

 - During the fourth quarter of 1987 BPS was made available for the IBM Series 9370. BPS also runs on IBM 4300 and IBM System 36 and 38 computers.

- Billing and Collection Management System (ARS) is an on-line system for the management of billing and cash collections for both personal and commercial lines policies on both an individual and consolidated basis. The system features user defined pay plans, finance and service charges, and delinquency plans, and supports payroll deduction plans. ARS may operate on a standalone basis or interface with PMS and IMIS.

- Insurance Management Information System (IMIS) is a management information and premium and loss reporting system that supports the management reporting, reinsurance processing, and bureau reporting requirements of most companies. IMIS interfaces with PMS, ARS, and Financial Management System.

- Agency Company Access (ACA) is an agency-company interface that receives agency-transmitted data in the format of the agency system and translates it into the format required by

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the insurance company processing system. ACA interfaces with IVANS and various Canadian networks.

- Financial Management System (FMS) permits entry of and on-line access to financial data from a terminal. Capabilities include general ledger, budgeting, distribution of income and expense data by categories, and the preparation of various financial and accounting reports. FMS interfaces with PMS, ARS, and IMIS.

- Insurance Work Station (IWS) is a series of IBM and compatible microcomputer-based software products designed for use within an insurance company.

 - IWS-Premium Handling System automates quoting of policy premiums for both personal and commercial line.

 - IWS-Policy Processing Subsystem captures policy information for upload to a host computer.

 - IWS-Claims Handling System automates certain claims handling functions, including claims payments. The system permits uploading and downloading of claims information between host and remote computers, aiding in claims handling at branch offices.

 - In April 1987 PMSC entered into a joint marketing agreement with ADP Collision Estimating Service, Inc. Users of PMSC's IWS-Claims Handling System now have access to ADP's AUDATEX auto damage estimate and replacement parts location data bases and AUTOTRAK total loss valuation services.

- The Bundle/Agency Work Station is an IBM and compatible microcomputer-based software product that provides automated personal and commercial lines rating for multiple states' rating plans and companies.

 - The Bundle was developed from 1984 through 1986 through a joint project with the Florida Association of Insurance Agents. In the fall of 1986 PMSC assumed direct marketing responsibilities for the Bundle across the U.S., except in Florida.

 - The Bundle is marketed directly to agencies and to insurance companies for distribution to their agents. The product is currently licensed in over 25 states and the District of Columbia.

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Processing services provided to the property and casualty insurance industry include the following:

- Customers can access PMSC's application software products on a remote processing basis through PMSC data centers in Columbia, Boston, and Toronto.

- PMSC's Dallas data center provides specialty processing services for highly regulated lines of business (such as assigned risk and Texas personal lines).

- PMSC also provides motor vehicle reports (MVRs), property valuations, property claims estimating, inspection reports, and other information services to assist underwriters and claims personnel in the evaluation and pricing of risks and the processing and management of claims.

 - PMSC's MVR system permits property and casualty insurance companies and agents to electronically order, receive, and file MVRs.

 - The MICRO-MVR service provides microcomputer users with access to MVRs through IBM's Information Network and IVANS, permitting access to MVRs from every state maintaining a data base of drivers.

 - Property valuation and inspection reports are now available in 50 states served by 43 PMSC branch offices.

 - Information Order Processing System (IOPS) is a mainframe or microcomputer-based report ordering system that facilitates the ordering of both personal and commercial lines underwriting reports, including premiums, audits, and surveys.

 - COMP-U-CLAIM is PMSC's microcomputer-based claims service that provides standardized real property loss estimates.

 In September 1987 PMSC was awarded a three-year contract (with a potential value of over $7.5 million) by the U.S. Department of Housing and Urban Development (HUD) to perform all appraisals and related information-gathering services for HUD-sponsored lending institutions that provide loans to buyers of manufactured housing. PMSC's IOPS and COMP-U-CLAIM data base will be used.

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- COMP-U-VALUE is a residential appraisal system that uses the same data bases as COMP-U-CLAIM to estimate structural values for insurance coverage.

- In September 1987 PMSC and ADP Collision Estimating Service, Inc. (a subsidiary of Automatic Data Processing, Inc.) signed an agreement to jointly develop the Automobile Insurance Claims Exchange (Auto-ICE), an automobile claims history data base.

 Auto-ICE is the first PMSC General Information Services product to use PMSC's Series III architecture. It will allow insurers to verify an insured's, or potential insured's, claims history over a specific period of time, regardless of the insurance carrier.

 The over 30 million automobile claims processed by ADP over the past five years will form the nucleus of the Auto-ICE data base. Participating insurance companies can expand the data base by adding their own claims information. In return, they will be given access to the total data base on a transaction fee basis.

 PMSC will manage, package, and add value to the data (possibly by obtaining data from state agencies, insurance companies, and other third party information providers, or developing the data through its General Information Services field force).

PMSC markets the following software products to group life and health insurance companies in the U.S. and Canada:

- Group-Comm is a group administration system that automates and consolidates most functions relating to new business and policy maintenance, billing and collecting, premium accounting, commissions, and reinsurance. It runs on IBM and compatible mainframes.

- The Case Writer is an on-line group underwriting system for preparing group insurance proposals using company rates and underwriting factors. The system interfaces with Group-Comm.

- The Examiner is a claims adjudication system for claims processing, from eligibility verification to benefit coordination. The system interfaces with Group-Comm.

- ExClaim (formerly Micro-Examiner) is a microcomputer-based expert system that automates medical claims adjudication.

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- Corporate Investment Management Systems (CIMS) may be used by property and casualty and group insurance providers. The products, which run on IBM and compatible mainframes, can operate on a standalone basis or together as a complete system.

 - CIMS Securities is an on-line investment portfolio management system. It handles most types of securities and includes portfolio segmentation, asset valuation, and accounting control capabilities.

 - CIM Stock and Bond is an investment decision support system that automates stock and bond market activity and provides investment portfolio maintenance and accounting.

 - CIM Mortgages is an on-line mortgage loan management and accounting system designed specifically for the insurance industry.

Professional services provided to PMSC clients include implementation planning and assistance, consulting, and education and training.

PMSC has third-party marketing agreements with Pansophic Systems, Image Sciences, and Sterling Software to market certain of their systems software products to PMSC customers.

Industry Markets

Virtually all of PMSC's 1987 revenue was derived from the insurance industry, including property and casualty, group life and health companies, and independent agents and adjusters. A small percentage of revenue was derived from the federal government.

Geographic Markets

Approximately 88% of PMSC's 1987 revenue was derived from the U.S., 6% from Canada, and the remaining 6% from other foreign sources.

A three-year summary of geographic source of revenue follows:

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POLICY MANAGEMENT SYSTEMS CORPORATION
THREE-YEAR GEOGRAPHIC SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	1987		1986		1985	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
U.S.	$159.2	88%	$135.6	90%	$90.1	88%
Canada	10.6	6%	8.6	6%	9.5	9%
Other	10.2	6%	6.3	4%	3.2	3%
TOTAL	**$180.0**	**100%**	**$150.5**	**100%**	**$102.8**	**100%**

PMSC has over 54 offices worldwide.

- Regional offices are located in Columbia, Boston, Chicago, Los Angeles, Toronto, and London.
- Foreign subsidiaries are located in Canada, Israel, and the U.K.

Computer Hardware and Software

PMSC offers its customers the option of using software licensed from PMSC on a remote basis through data centers located in Columbia, Toronto, Boston, and Dallas. Large-scale and medium-scale IBM mainframes are installed at these centers.

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POLICY MANAGEMENT SYSTEMS CORPORATION
P.O. Box Ten
Columbia, SC 29202
(803) 735-4000

G. Lorry Wilson, President
Public Corporation, OTC
Total Employees: 1,999
Total Revenue, Fiscal Year End 12/31/85: $102,831,000

POLICY MANAGEMENT SYSTEMS CORPORATION
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	1985	1984	1983	1982	1981
Revenue	$102,831	$84,815	$62,268	$44,477	$31,859
. Percent increase from previous year	21%	36%	40%	40%	45%
Income before taxes (a)	$ 20,501	$19,474	$13,920	$11,193	$ 6,280
. Percent increase from previous year	5%	40%	24%	78%	142%
Net income	$ 14,387	$13,708	$ 9,728	$ 6,630	$ 3,789
. Percent increase (decrease) from previous year	5%	41%	47%	75%	(73%)
Earnings per share	$ 0.89	$ 0.85	$ 0.63	$ 0.44	$ 0.28
. Percent increase from previous year	5%	35%	43%	57%	N/A

(a) Includes investment income of approximately $1.9 million, $3.1 million, $2.4 million, and $2.3 million for 1985, 1984, 1983, and 1982, respectively.

- During August 1985 the Seibels Bruce Group reduced its holdings to less than 1% of the outstanding common stock of PMSC. Services provided to Seibels accounted for approximately 9%, 10%, and 14% of total revenue for 1985, 1984, and 1983, respectively.

- PMSC management attributes the significant decline in its revenue growth rate during 1985 to the continuing poor business conditions in the property and casualty insurance industry and expects difficult market conditions to continue to affect its results.

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- Revenue for the six months ending June 30, 1986 reached $67.3 million, a 32% increase over $50.8 million for the same period in 1985. Net income was $6.3 million compared to $7.8 million for the same period a year ago.

- Recent acquisitions made by PMSC include the following:

 - Effective December 1, 1985, PMSC acquired Commercial Services, Inc. (CSI) of Madison Heights (MI) for $3.6 million in cash and notes. CSI provides motor vehicle and property inspection and valuation reports for property and casualty insurance companies in seven midwestern states. CSI operates as a wholly owned subsidiary of PMSC.

 - Effective January 20, 1986, PMSC acquired Insurance Companies Inspection Bureau, Inc. (ICIB) of Orange (CA), a provider of underwriting information services for the property and casualty industry in 11 western states. ICIB operates as a wholly owned subsidiary of PMSC.

 - Effective February 15, 1986, PMSC acquired the business operations and assets of the Insurance Systems Division of Information General Corporation, a wholly owned subsidiary of Sterling Software. This acquisition expanded the company's business activities to include providing software systems and services to the group insurance industry.

SOURCE OF REVENUE

- Approximately 38% of PMSC's 1985 revenue was derived from processing services, 36% from application software products, 14% from professional services, and 6% from turnkey systems. The remaining 6% of revenue was derived from value added distributor (VAD) hardware sales.

- One hundred percent of PMSC's 1985 revenue was derived from the property and casualty insurance industry.

- Approximately 88% of PMSC's 1985 revenue was derived from the U.S., 9% from Canada, and 3% from other international.

NEW PRODUCTS AND SERVICES

- PMSC has introduced the Basic Processing System (BPS) for the IBM System/36 minicomputer. The turnkey product is targeted to small or new insurance companies with direct written premiums of $8 million or under. PMSC is currently developing a version of BPS for the IBM System/38.

- As a result of the acquisition of Sterling Software's Insurance Systems Division, PMSC now offers a variety of software services and data processing for the group insurance industry.

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- THE CASE WRITER, an on-line group underwriting system, automatically prepares proposals based on a customer company's rates and underwriting factors.

- THE EXAMINER is a claims adjudication system with single screen entry and automatic eligibility verification. It interfaces with GROUPCOMM, a group administration system that automates new business, policy maintenance, billing and collection, commission calculations, and reinsurance.

- A new product, MICRO-EXAMINER, introduced in early 1986, makes use of artificial intelligence to assist in the claims adjudication process for third-party administrators, self-insurers, and other small organizations or larger, networked groups within an organization.

- As a result of the acquisitions of CSI and ICIB, PMSC has expanded its motor vehicle report, property inspection, and valuation information processing services.

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POLICY MANAGEMENT SYSTEMS CORPORATION
P.O. Box Ten
Columbia, SC 29202
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G. Larry Wilson, President
Public Corporation, OTC
Total Employees: 1,426
Total Revenue, Fiscal Year End 12/31/84: $84,815,000
Total Noncaptive Revenue: $75,639,000

THE COMPANY

- Policy Management Systems Corporation (PMSC) provides processing facilities management services, applications software products, professional services, and turnkey systems to the property and casualty insurance industry. PMSC is a value-added remarketer for the IBM 4300 Series of computers and a value-added dealer for the IBM PC/XT and AT.

 - PMSC was formed in 1974 as the PMS Division of Seibels, Bruce & Company. Data processing and related services were provided to Seibels on the basis of actual cost, which did not include a profit factor.

 - Effective October 1, 1981, Seibels transferred the net assets and business operations of the PMS Division to PMSC in exchange for shares of common stock and an agreement was formed under which PMSC would continue to provide services to Seibels at rates comparable to those charged unaffiliated customers for similar services.

 - In December 1981 PMSC made an initial public offering of 1.2 million shares of common stock. Of the $17.6 million in net proceeds, $5.9 million went to Seibels for the repurchase and retirement of 400,000 shares of PMSC common stock, reducing Seibel's retained ownership in PMSC to 83%.

 - In July 1983 PMSC sold an additional one million shares of its common stock. Of the $56.4 million in net proceeds, $22.5 million was used to repurchase and retire an additional 400,000 shares of PMSC stock, reducing Seibel's ownership to 50.6%.

 - During 1984 approximately 3.45 million PMSC shares held by Seibels were sold in a public offering, reducing Seibel's ownership in PMSC to 29.3%.

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- PMSC's total 1984 revenue reached $84.8 million, a 36% increase over 1983 revenue of $62.3 million. Net income rose 41% from $9.7 million in 1983 to $13.7 million in 1984.
 - Noncaptive (unaffiliated) revenue rose 41% from $53.3 million in 1983 to $75.6 million in 1984.
 - In the five-year financial summary that follows, affiliated revenue represents fees collected in association with processing and support services provided to Seibels, Bruce & Company.

POLICY MANAGEMENT SYSTEMS CORPORATION
FIVE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM \ FISCAL YEAR	1984	1983	1982	1981	1980
Revenue					
. Unaffiliated	$ 75,639	$ 53,475	$ 36,230	$ 25,282	$ 16,671
. Affiliated	9,176	8,793	8,247	6,577	5,342
	$ 84,815	$ 62,268	$ 44,477	$ 31,859	$ 22,013
. Percent increase from previous year	36%	40%	40%	45%	28%
Income before taxes (a)	$ 19,474	$ 13,920	$ 11,193	$ 6,280	$ 2,592
. Percent increase from previous year	40%	24%	78%	142%	165%
Net income	$ 13,708	$ 9,728	$ 6,630	$ 3,789	$ 14,107 (b)
. Percent increase (decrease) from previous year	41%	47%	75%	(73%)	N/A
Earnings per share (c)	$ 0.85	$ 0.63	$ 0.44	$ 0.28	N/A
. Percent increase from previous year	35%	43%	57%	N/A	N/A

(a) Includes investment income of approximately $3.1 million, $2.4 million, $2.3 million, and $140,000 for 1984, 1983, 1982, and 1981, respectively.
(b) Includes an after-tax gain of approximately $13 million resulting from the sale of PMSC's Agency Management System in 1980.
(c) Adjusted to reflect a 2-for-1 stock split in the form of a 100% stock dividend on October 1, 1983.

- PMSC management attributes the growth in revenue from 1980 to 1984 primarily to the following factors:

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- An increase in the number of systems licensed.
- A greater volume of support services performed for customers.
- An increase in the company size of customers licensing PMS (the company's primary software system), from average annual direct written premiums of $119 million in 1980 to $188 million in 1984.
- Price increases.
- An increased emphasis on processing services since 1982.

- Research and development expenditures were $21.9 million (26% of revenue) in 1984, $17.3 million (28% of revenue) in 1983, and $11.9 million (27% of revenue) in 1982. The company intends to continue to place strong emphasis on product research and development in the future; however, these expenditures, expressed as a percent of total revenue, are expected to decrease as processing and support services continue to contribute a greater portion of PMSC's total revenue.

- Acquisitions made by PMSC during 1984 and 1983 include the following:

 - Effective December 1, 1984, PMSC acquired the majority of the business and assets of Compuclaim Corporation of Dallas for $2.6 million in cash and interest bearing notes, plus future cash payments based on certain operating results through 1989. The acquisition was accounted for as a purchase.

 . Compuclaim supplies claim estimating software to property and casualty companies and independent adjusters for use in adjusting real property and content losses.

 . Compuclaim now operates as PMS Compuclaim Corporation, a wholly owned subsidiary of PMSC.

 - In February 1984 PMSC acquired the assets of the Los Angeles data center of Harbor Insurance Company, a subsidiary of The Continental Insurance Company, for $414,000. This data center provides processing services to Harbor Insurance and other PMSC customers in the western U.S.

 - In September 1983 PMSC acquired Business Computer Systems Corporation (BCS) of Dallas for $6 million in cash and noninterest bearing promissory notes, plus contingent future cash payments based on BCS's performance through 1985, which was estimated to total $500,000 at December 31, 1984.

 . BCS provides specialty processing services for the property and casualty insurance industry.

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 - BCS now operates as a wholly owned subsidiary of PMSC.

- In April 1983 PMSC assumed the operations of Mutual Data, Inc. (MDI) of Boston for $582,000. MDI provided specialty processing services to the insurance industry. Its operations have been merged into PMSC.

- PMSC has reorganized into three groups, as follows:

 - The Systems Products Group has responsibility for the support of current and future customer needs with new products, addition of major functions to existing products, provision of predictable product delivery, development and maintenance of software integration standards, deveopment and maintenance of documentation, development of compatible functions across product lines, and resolution of System Inquiries (SI) and Regulatory Changes (RC).

 - The Insurance Services Group provides services for all microprocessor-based and information services products. The group's responsibilities include implementation of the Insurance Work Station (IWS) products, additional states and rating plans for the Agency Work Station (AWS or the Bundle), distribution of IWS and AWS, additions to Information Services offerings, resolution of SI's and integrated mainframe and microprocessor services.

 - The Systems Services Group provides services for mainframe products. This group is responsible for the maintenance of a shared base system, processing services, specialty processing, customer education and training, implementation support, installation support, and library control.

- Revenue for the six months ending June 30, 1985 was $50.8 million, a 26% increase over $40.3 million for the same period in 1984. Net income for the period rose 21% from $6.4 million to $7.8 million.

- As of December 31, 1984, PMSC had approximately 1,426 employees, segmented as follows:

Marketing/sales	99
Customer service	578
Systems development	464
Data center operations	200
General and administrative	85
	1,426

 - PMSC currently has approximately 1,580 employees.

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KEY PRODUCTS AND SERVICES

- INPUT estimates that approximately 42% of PMSC's $75.6 million in unaffiliated revenue for 1984 was derived from software products, 33% from processing services, 19% from professional services, and 6% from turnkey systems.

- PMSC's target market for its products and services is the over 1,690 property and casualty insurance companies in the U.S. and Canada. Market penetration, as of December 1984, for PMSC's principal products, Policy Management System (PMS) and Basic Processing System (BPS), is as follows:

Number of Companies	Direct Written Premiums (Millions of Dollars)	Companies Licensing PMS or BPS Number	% of Total
42	Above $500	9	21%
34	$300 to $500	16	47%
145	$100 to $300	52	36%
165	$50 to $100	55	33%
553	$10 to $50	140	25%
752	$10 or less	109	14%
1,691		381*	23%

 * Includes 195 license agreements covering 381 companies in the U.S. and Canada. Many of such customers are members of groups of associated companies that typically enter into a single license agreement. Of the 381 companies shown above, 30 are located in Canada. The PMS system has also been licensed to 11 companies outside of North America.

- PMSC's software product pricing structure relates the license charges for a product to its value to the customer. Value is proportional to the annual direct written premiums produced by the customer.

 - The pricing structure is composed of an initial license charge (15-40% of the overall license charges) and a monthly license charge.

 - The monthly license charge, paid throughout the term of the contract (generally five to eight years), is generally indexed to the customer's size and to the consumer price index.

 - In recent years PMSC has reduced the initial license charge and increased the monthly charge to increase recurring revenue to PMSC over the term of the contract.

 - MESA (Maintenance, Enhancement, and Services Availability) is provided to PMSC customers as part of the license fees. MESA entitles clients to enhancements and updates to the products licensed.

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- The following table shows the range of initial license charges and monthly license charges, by product categories, for 1984:

	Initial License Charges		Monthly License Charges	
	High	Low	High	Low
PMS/BPS	$1,013,000	$150,000	$23,000	$3,000
Reporting Systems (IMIS and ARS)	251,000	37,000	7,000	700
Financial Systems (FM and SMS)	48,000	18,000	800	400
Other Systems	266,000	6,000	25,000	200

- PMSC's mainframe software products are designed for IBM and plug-compatible computers and include the following:

 - The Policy Management System (PMS), the company's primary product, is an on-line system for managing insurance contracts including originating and maintaining policies and claims.

 . PMS supports all insurance lines and functions, quotes policies, changes policies, assists in claims administration, bills, and creates statistics for reporting purposes.

 . PMS features include:

 - Policy Information File, a centralized data base of contract information that may be accessed by all departments of the insurance company.

 - Entry Pending File holds yet-to-be processed transactions and allows information to be available prior to addition to the central data file.

 - Underwriting support permits underwriters to access policy and agency experience information remotely to establish policy review dates.

 - Claims processing includes coverage confirmation, reserves creation and adjustment, and draft ordering.

 - The Alternate Cross-Reference Index permits users to access information on insureds, claimants, adjusters, reinsurers, and agencies.

 - Automated rating for personal and commercial lines.

 - On-line quotations for supporting insurance lines.

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- PMS Version VII, released at the end of 1984, provides enhanced commercial lines capabilities, additional personal lines functions, and claims processing features.
 - Commercial lines enhancements include automating complex lines such as special multi-peril and general liability.
 - Personal lines enhancements include additional coverages for homeowners and automobile policies.
 - Claims processing enhancements include data capture on screens for litigation, subrogation, salvage, rehabilitation, claims forms, workers' compensation specific injuries, and improved coverage verification.
 - Other features of PMS Version VII include programming productivity tools for custom tailoring of the software and the Generalized Table Access Method (GTAM), a component that establishes, maintains, and accesses tables that isolate specific customer variables that are stored in a centralized library. GTAM can reorganize information based on frequency of use, thereby providing more rapid access to the data.
- PMSC is also developing capabilities for homeowner/automobile package policy processing, farm owners specialty processing, and a Commercial Package Policy (CPP).

- The Insurance Management Information System (IMIS) is an information management and statutory premium and loss reporting system. Introduced in 1983, IMIS replaces PMSC's Reporting System.
 - IMIS produces the internal and external reports necessary for primary and reinsurance business and regulatory purposes.
 - IMIS integrates reinsurance processing into its reporting functions.
 - IMIS interfaces with PMS, the Account Reconciliation System, and the Financial Management System.
 - PMSC is currently developing an actuarial component for IMIS.
- The Account Reconciliation System (ARS) is an on-line billing and accounts receivable system for processing various types of debit or credit transactions, including automated payroll deductions, electronic funds transfers, and multiple policy billing.

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 - ARS supports billing for commercial lines (consolidated, audit, variable, broker, and split bill); personal lines (consolidated, broker, equity, and split bill); agency bill (balance forward, open item, and account current); group bill; and list bill.
 - Future releases will support finance bill; reinsurer bill; and life insurance, accident, and health bill.
 - The system provides for varied payment plans and creates a variety of management reports.
 - ARS may operate on a standalone basis or interface with PMS Version VII and IMIS.

- Agency Company Access (ACA) is an electronic agency-company interface system that receives agency-transmitted data in the format of the agency system and translates it into the format required by the insurance company processing system. ACA interfaces with IVANS and various Canadian networks.
- The Financial Management System (FMS) is an on-line financial and accounting information processing system.
 - FMS performs general ledger, income and expense distribution, budgeting, and financial reporting functions.
 - Recent enhancements to the system include check writing, capture of vendor activity, on-line reconciliation, and 1099 tax form preparation.
 - FMS interfaces with PMS, ARS, and IMIS.
- The Securities Management System (SMS) provides securities portfolio management through on-line automated inventory control, transaction tracking and cash flow management.
 - Recent enhancements to SMS include Government National Mortgage Association processing and command level CICS capabilities.
 - SMS operates on a standalone basis or with PMS.

• The Insurance Work Station (IWS), introduced in 1984, is a series of microcomputer-based software products designed for specific property/casualty insurance-related business functions.
 - IWS software runs on IBM and compatible microcomputers and is designed to interface with the client mainframe to access insurance-related information for local updating, review, and follow-up. The hardware for the system may be purchased or leased from PMSC.

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- During 1984 PMSC introduced two IWS products as follows:

 - IWS-Premium Handling System (IWS-PHS), designed for front-line personnel, allows users to quote commercial and personal lines rates; print rate quotations; capture data for policy issuance; provide word processing, report writing, calendar, cross reference indexing, diary, checklist, and activity log functions. IWS-PHS also handles audits, cancellations, endorsements, renewals, and reinstatements.

 - IWS-Claims Handling System (IWS-CHS) is designed for claims adjusters, supervisors, and managers in the claims office to perform administrative functions associated with claims. Policy data is downloaded for use in handling a claim at a branch office, and collected claims data is uploaded to the company mainframe for processing and storage.

- In March 1985 PMSC installed its first IWS-Telemarketing (IWS-TM) system. Features include personal lines rating, automatic dialing of prospects, and screen display of a script with prompts to be read by the operator over the telephone to the prospect.

- PMSC is currently developing additional IWS systems for certain rating and claims applications.

- The Agency Work Station (AWS), also known as the Bundle, is a point-of-sale microcomputer software tool, developed by PMSC through a joint project with the Florida Association of Insurance Agents (FAIA).

 - AWS runs on IBM and compatible microcomputers. The system, designed for independent insurance agents, automates personal and commercial lines rating for multiple states and multiple companies. Word processing and spreadsheet capabilities are also included.

 - AWS has capabilities to access PMSC's Insurance Information Bank, a data base containing systems, rate files, regulatory notices, motor vehicle reports, and other insurance-related data.

 - AWS is marketed by Shamrock Automation Systems Inc., a subsidiary of FAIA.

 - As part of the agreement PMSC provides maintenance and update services for AWS.

 - During 1984 AWS was installed in over 200 agencies in Florida. There are currently installations in Florida, Mississippi, Louisiana, and Pennsylvania. The product has been endorsed by approximately half the state independent agent trade associations in the U.S.

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- Noncaptive processing services revenue increased 54% from 1983 to 1984. Facilities management and remote computing services are provided to over 60 customers from five regional data centers.

 - Processing arrangements vary from full to partial. Under a full processing agreement, PMSC provides planning, customization, and computer support; including testing, simulated processing, and production processing. Under a partial processing agreement, PMSC processes specialty lines of business to supplement a company's in-house processing of its major lines of business.

 - In 1984 PMSC added Base Systems Maintenance, a processing program providing shared responsibilities between the customer and PMSC. The customer is responsible for specific modifications and daily processing activities. PMSC maintains the customers' base system at a PMSC data center and keeps the system current with the latest enhancements.

 - Data centers in Columbia (SC), Boston, Toronto, and Los Angeles provide clients with access to versions of PMSC's PMS, ARS, and IMIS software products.

 - The Dallas data center provides specialty processing services to approximately 31 property and casualty insurance companies through PMSC's subsidiary, Business Computer Systems (BCS). Services include:

 . Commercial Automobile Processing, Etc. (CAPE) provides assigned risk commercial automobile scheduled policy processing. CAPES automates rating, writing, billing, statistical reporting, endorsements, cancellations, and renewals.

 . Property/casualty insurance processing for Texas personal automobile, Texas homeowners, Texas residential fire, and Texas Premium Note.

 . Assigned risk processing for eight states.

 - During 1984 PMSC introduced Insurance Information Services, a data base service provided from PMSC's Columbia data center.

 . Insurance-related data available through the PMSC Insurance Information Bank includes motor vehicle reports, credit reports (Dun & Bradstreet Business Information Reports), appraisals, adjusters' reports, and property valuations.

 . Clients may access the Insurance Information Bank via the Agency Work Station, a microcomputer, or a 3270-type terminal.

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- Subsequent to its acquisition of Compuclaim Corporation in late 1984, PMSC has introduced Comp-U-Claim, a claim estimating service that provides real property and content loss estimates.

 . The service is based upon 500 area data bases across the U.S. and Canada that are maintained monthly at PMSC's Dallas office. Each area data base contains the unit cost pricing of labor and materials for that particular geographic area. The data bases are maintained through contact with 10,000 contractors and building supply companies.

 . Price updates are furnished to clients through floppy disk or via remote batch to reside on the client's microcomputer.

 . The adjuster uses Comp-U-Claim worksheets at the loss site to gather detailed loss information.

 . Loss information is entered into an IBM PC (or compatible) equipped with Comp-U-Claim software. Using prices supplied from its local data base, Comp-U-Claim calculates the estimate and prints a professional claims estimate.

 . Comp-U-Claim clients may purchase or lease their IBM PCs from PMSC.

 . There are currently over 300 client offices using Comp-U-Claim.

 . PMSC is developing additional geographical data bases to reflect current prices to clean, repair, or replace items such as clothing, furniture, or appliances (Comp-U-Contents).

 . The Comp-U-Value service, scheduled for 1985 availability, will use Compu-U-Claim data bases to calculate insurance on residential property.

- PMSC's turnkey systems are designed for small-to-medium sized insurance companies (direct written premium volume of up to $75 million annually), brokers, captive insurance agents, and managing general agents.

 - The Basic Processing System (BPS), PMSC's first turnkey system, operates on IBM 4300 series computers to supply basic policy processing functions as well as accounting and reporting.

 . The software includes the basic PMS processing functions tailored to smaller companies.

 . Features include complete policy administration; policy issuance for all lines of business; claims processing for all lines; direct, broker, and account current billing; reinsurance processing;

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management reporting; bureau reporting; and general ledger accounting.

- Customers may purchase or lease the IBM 43XX from PMSC. Maintenance of the equipment is performed by IBM.

- Other turnkey systems are currently being developed for the lower end of the property and casualty insurance market that will be based on the IBM System 36 or 38.

- Professional services provided to PMSC clients include:

 - Project Planning Services.

 - Requirements evaluation and analysis.

 - Requirements documentation including systems features, required custom modifications, and fee quotations.

 - Implementation planning.

 - Implementation and Migration Services.

 - Installation, conversion, modification, and testing.

 - Customization services.

 - Transition customer support.

 - Educational Services.

 - Classroom and hands-on training for PMSC customers at PMSC headquarters or at the customer site.

 - Follow-up seminars.

 - Videotape courses on PMSC products.

 - The Implementation Training Package, a customized education service that provides tailored courses to meet a company's systems modifications, forms, and workflow procedure.

 - During 1984 over 3,500 PMSC customers received training.

 - Consulting Services.

 - General system assistance, research, analysis, and support.

 - Methods and procedures analysis.

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- Hardware available from PMSC include the following:
 - As a value-added remarketer for IBM, PMSC may lease or sell IBM 4300 Series computers to its software clients.
 - As a value-added dealer PMSC may sell or lease the IBM PC/XT and AT to its IWS, AWS, and Comp-U-Claim clients.
- PMSC has third-party marketing agreements with Pansophic and Image Sciences Inc. of Dallas to market their software products to PMSC customers.

INDUSTRY MARKETS

- One hundred percent of PMSC's 1984 revenue was derived from the property and casualty insurance industry.
 - Through 1984 market penetration has been best among medium-sized companies (those with annual direct written premiums between $75 million and $500 million).
 - With new releases of PMS and the additional emphasis on new products, PMSC has had increased penetration in the large company segment (companies with annual direct written premiums over $500 million).
 - PMSC's marketing strategy is to increase market share by adding new customers from all segments of the industry, including agents and brokers, and by offering more products and services to existing customers.
 - Small companies, with up to $75 million in annual direct written premiums, represent an area of growth for PMSC.

GEOGRAPHIC MARKETS

- Approximately 88% of noncaptive 1984 revenue was derived from the U.S., 10% from Canada, and 2% from other international. A three-year summary of source of noncaptive revenue follows ($ thousands):

	1984	1983	1982
U.S.	$66,704	$43,288	$29,932
Canada	7,435	7,340	4,712
Other	1,500	2,847	1,586
	$75,639	$53,475	$36,230

- Captive revenue was derived entirely from the U.S.
- PMSC has branch offices in Boston, Chicago, Columbia (SC), Los Angeles, Toronto, and London.

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COMPUTER HARDWARE AND SOFTWARE

- PMSC operates five data centers as follows:
 - Columbia (SC) serves the Southeast and is the coordination point for all PMSC data center operations. Computers installed include:
 - 1 IBM 3084-QX, MVS/XA.
 - 1 IBM 370/168 MP, DOS/VSE.
 - Dallas, serving the Southwest, is the center of specialty processing provided through PMSC's subsidiary, BCS. Computers installed include:
 - 1 IPL 4443-II, DOS/MVT.
 - 1 IPL 4436-II, DOS/MVT.
 - 1 IBM 4341-I, DOS/MVT.
 - Boston serves the Northeast and has the following computer installed:
 - 1 Amdahl 470-V/62, MVS.
 - Los Angeles serves the West and has the following computers installed:
 - 1 IBM 4341-I, DOS.
 - 1 IBM 4341-II, MVS.
 - Toronto, serving Canadian customers, has the following computer installed:
 - 1 IBM 3083E, MVS, DOS/VSE, VM.
- Clients access PMSC data centers via direct dial and leased lines.

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POLICY MANAGEMENT SYSTEMS CORPORATION
1321 Lady Street
P.O. Box 10
Columbia, SC 29202
(803) 748-2000

G. Larry Wilson, President
Public Corporation, OTC
Total Employees: 851
Total Revenue, Fiscal Year End 12/31/82: $44,477,000
Noncaptive Revenue: $36,230,000

POLICY MANAGEMENT SYSTEMS
THREE-YEAR FINANCIAL SUMMARY
($ thousands, except per share data)

ITEM / FISCAL YEAR	1982	1981	1980
Revenue			
. Unaffiliated	$36,230	$25,282	$16,671
. Affiliated	8,247	7,408	6,294
Total	$44,477	$32,690	$22,965
. Percent increase from previous year	36%	42%	N/A
Income before taxes	$11,193	$ 7,090	$ 3,350
. Percent increase from previous year	58%	112%	N/A
Net income	$ 6,630	$ 4,204	$ 1,844
. Percent increase from previous year	58%	128%	N/A
Earnings per share	$ 0.88	$ 0.63	$ 0.28
. Percent increase from previous year	40%	125%	N/A

SOURCE OF REVENUE

- INPUT estimates Policy Management Systems' 1982 noncaptive revenue was derived as follows:

	Percent of Revenue	Revenue ($ thousands)
- Software products (applications)	58%	$20,790
- Processing services	19	7,000
- Professional services	23	8,440
	100%	$36,230

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POLICY MANAGEMENT SYSTEMS CORPORATION
1321 Lady Street
P.O. Box Ten
Columbia, SC 29202
(803) 748-2000

G. Larry Wilson, President
Public Corporation, OTC
Total Employees: 731
Total Revenue, Fiscal Year End 12/31/81: $32,690,000
Noncaptive Revenue: $25,282,000

THE COMPANY

- Policy Management Systems Corporation (PMS Corp.) was formed in 1974 as the PMS Division of Seibels, Bruce & Company to provide applications software to the property and casualty insurance industry. Processing services, facilities management services and turnkey systems for the insurance industry were subsequently added.

- Through September 30, 1981 the operations of PMS Corp. were conducted as the PMS Division of Seibels. Based on the division's strong growth trends and other factors, the decision was made to incorporate PMS and offer a portion of its stock to the public.

- As of September 30, 1981, Seibels transferred the net assets ($15 million) and business operations of the PMS Division to PMS Corp. in exchange for shares of common stock. Also transferred were the ownership of all existing software, systems under development within the PMS Division, and applicable contracts with customers and vendors. Seibels retained a perpetual right to use the transferred software for its own business and that of its affiliates.

- An initial public offering of 1.2 million shares of PMS Corp. common stock was made in December 1981. This produced additional capital of $17.6 million, of which $5.9 million went to Seibels for the repurchase and retirement of 400,000 shares of PMS Corp. common stock. The remaining $11.7 million was invested in short-term securities. Upon completion of this offering, Seibels retained ownership of approximately 83% of PMS Corp.'s common stock.

- Effective October 1, 1981, PMS Corp. and Seibels entered into an agreement under which PMS Corp. would continue to provide data processing and related services to Seibels, billable at rates comparable to those being charged to unaffiliated customers for similar services. Prior to this date, such services to Seibels had been accounted for only on the basis of the cost of providing such services, which did not include a profit factor. The following summary represents PMS Corp.'s financial statement from continuing operations. Financials have been restated to reflect the addition of a profit factor, as though Seibels had been billed on that basis.

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POLICY MANAGEMENT SYSTEMS CORP.
FINANCIAL SUMMARY
($ thousands, except per share data)
Restated

ITEM \ FISCAL YEAR	1981	1980
Revenue		
. Unaffiliated	$25,282	$16,671
. Affiliated	$ 7,408	$ 6,294
	$32,690	$22,965
. Percent increase from previous year	42%	NA
Income before taxes	$ 7,090	$ 3,350
. Percent increase from previous year	112%	NA
Net income	$ 4,204	$ 1,844
. Percent increase from previous year	128%	NA
Earnings per share	$ 0.63	$ 0.28
. Percent increase from previous year	125%	NA

- Expenditures for product research and development amounted to approximately $6.8 million in 1981 (21% of revenue) as compared with $4.4 million in 1980 (19% of revenue).

- Total revenue for nine months ending September 30, 1982 was $31.6 million, a 33% increase over $23.8 million for the corresponding period in 1981.

- On October 4, 1982, Seibels sold 1,650,000 shares of PMS Corp. common stock at $23 a share. The gross proceeds totaled $37.9 million. This sale reduced Seibels' holdings from 82% to 60% of PMS Corp.'s total shares.

- In December 1981 PMS Corp. had 731 employees; in December 1982 they had 850.

KEY PRODUCTS AND SERVICES

- In 1981 INPUT estimates approximately 60% of PMS Corp.'s noncaptive revenue was derived from applications software, 20% from processing services, and 20% from professional services.

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- PMSC's targeted markets are over 1,600 property and liability insurance companies in the U.S. and Canada. Market penetration, as of June 1982, is as follows:

Number of Companies	Direct Written Premiums (Millions of Dollars)	Companies Licensing PMS Number	% of total
37	Above $500	6	16%
33	$300 to $500	14	42%
137	$100 to $300	38	28%
139	$50 to $100	42	30%
517	$10 to $50	101	20%
787	$10 or less	73	9%
1,650		274*	17%

* The company has an additional nine licenses outside the U.S. and Canada, bringing the total number of companies authorized to use PMS to 283.

- PMS Corp.'s software products are designed specifically for the property and casualty insurance industry.

 - The software systems operate on-line and automate most insurance processing functions, including managing insurance policies and securities portfolios, accounting and financial reporting, reconciling agents' accounts, and preparing reports.

 - The systems are modular, facilitating updates, enhancements, and systems interfaces. Each system is structured so that information particular to each insurance company can be isolated in central tables and files, permitting customization to individual client requirements and the flexibility to modify the systems as business conditions change.

 - The Policy Management System (PMS) is the company's primary product. Most of the company's other software products are licensed to customers of PMS Corp. PMS performs the following functions:

 . Policy Origination: evaluation of risks to determine levels of acceptability, policy rating and premium calculation; policy issuance (actual printing of information on the policy).

 . Policy Maintenance: entry and retrieval of information for endorsement, amendment, cancellation, and reinstatement of policies; automated generation of renewals; support of the claims function; collection and management of premiums, including direct billing, billing of agents, and commission calculation; facilitates application of regulatory changes; and processing for reinsurance functions.

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- A complete listing of software systems offered by PMS Corp. is included in the exhibit.

- All software products run on IBM 370, 30XX, and 4300 systems operating under MVS, SNA, CICS, and TSO.

- The license agreements for PMS and most of the company's other systems provide for both an initial licensing fee, generally payable one-half at contract execution and one-half within six months, and a monthly licensing fee, comprised of a base charge and a size charge based on the customer's business volume. The minimum term of the license agreement, in most cases, is five years.

- PMS Corp. provides processing services to approximately 18 clients, typically under five-year contracts.

 - These services are provided on a remote batch basis with terminals (for data entry) and printers (for receiving output) installed at the customer's location.

- PMS Corp. also provides professional services, including consulting and facilities management.

 - In addition to software maintenance provided under the terms of the license agreements, PMS Corp. also offers implementation planning, continuing systems consultation, and education, all of which are separately charged for.

 - PMS Corp. provides facilities management (FM) services to two clients.

 . In June 1982 PMS Corp. signed a contract with Scottish & York International Insurance Group, estimated to produce about $2 million annually in revenue. Under the terms of the agreement, PMS Corp. assumed responsibility for the existing Scottish & York Data Center, which includes two IBM computers and a staff of 21.

 . The Canadian unit of PMS Corp. assumed responsibility for the data center and staff of General Accident Assurance Co. of Toronto in October 1982. The contract will generate about $4 million annually.

- PMS Corp. has announced a turnkey system for the property and casualty insurance industry.

 - The Basic Processing System (BPS) is designed for property and casualty insurance companies with premium volumes ranging from $10 to $20 million.

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EXHIBIT

PMSC APPLICATION SOFTWARE PRODUCTS

PRODUCT	DESCRIPTION	YEAR INTRODUCED	NUMBER OF USERS
POLICY MANAGEMENT SYSTEM (PMS)	Property and casualty insurance policy management	1974	290
REPORTING SYSTEM (RS)	Report generator	1976	100
ACCOUNT RECONCILIATION SYSTEM (ARS)	Accounts for balances due from agents, generates agent reports and correspondence	1976	75
FINANCIAL MANAGEMENT SYSTEM (FMS)	Financial processing	1978	50
SECURITIES MANAGEMENT SYSTEM (SMS)	Manages and monitors securities portfolio	1978	40
GENERALIZED TABLE ACCESS METHOD (GTAM)	Establishes, maintains, and accesses tables	1978	290
INTERFACE	Permits transfer of information between systems	1979	NA
PMS EXTRACTO	Specialized report generator (licensed by PMSC from another company)	1977	NA
HARDWARE ACCOUNTING SYSTEM (HAS)	Integrated management and control of DP equipment	1982	15

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- BPS provides the basic functions of the PMS system, including on-line data capture and editing of premium and loss information, claims handling, policy level reinsurance, and various reports.
- BPS, announced in October 1982, runs on the IBM 4300 series.

- In August 1982 PMS Corp. announced a Disaster Recovery Service planned for 1983 availability.
 - With this service customers may contract to use PMS Corp.'s data processing facilities for backup purposes in the event their own computer operations are inoperative.
 - Primary features planned for the service are dedicated computer equipment, a shell for placement of customers' equipment, off-site data storage, and periodic testing of the customer's backup system and network.

INDUSTRY MARKETS

- One hundred percent of PMS Corp.'s revenue is derived from property and casualty insurance companies.

GEOGRAPHIC MARKETS

U.S.	88%
Canada	9
Other (Australia, United Kingdom, Netherlands)	3
	100%

COMPUTER HARDWARE AND SOFTWARE

- PMS Corp. has the following equipment installed:
 - 1 IBM Series 1.
 - 1 IBM 4331, operating under MVS, SNA, CICS, TSO.
 - 2 IBM 370/168s, operating under MVS, SNA, CICS, TSO.
 - 1 IBM 3081, operating under MVS, SNA, CICS, TSO.
 - 1 Amdahl V/6, operating under MVS, SNA, CICS, TSO.

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COMPANY HIGHLIGHT

POLICY MANAGEMENT SYSTEMS (PMS)
1321 Lady Street
P.O. Box One
Columbia, SC 29201
(803) 748-2000

G. Larry Wilson, President
Division of Seibels, Bruce & Company
Total Employees: 800
Total Revenues, Fiscal Year End 12/31/80: $24,200,000
Non-Captive Computer Services Revenues: $16,700,000

PRINCIPAL BUSINESS Marketing software products and processing services for the property and liability insurance industry since being formed as a Seibels, Bruce & Co. division in 1974. The parent organization is a large insurance group with annual revenues of over $300 million.

FINANCIALS

	1980	1979
	($ thousands)	
- Total revenues	$24,000	$19,000
- Non-captive revenues	$16,700	$12,500

- PMS management expects 1981 revenues to exceed $29 million.

- In August 1980, PMS sold a subsidiary, AMS Inc., to Commercial Union (the twentieth largest insurance company in the U.S.) for $22 million.
 - AMS is developing a turnkey product for insurance agents and brokers based on an IBM Series 1. Commercial Union will be marketing the system to internal and external agents.

SOURCES OF REVENUE

- 70% Processing services.
- 30% Software products.

PRODUCTS AND SERVICES

- Remote computing services.
 - RCS services are provided to 16 property and liability insurance clients.
 - Applications software available on PMS's network service are listed in the following exhibit. Primary functions performed for insurance companies include:

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EXHIBIT

POLICY MANAGEMENT SYSTEMS RCS APPLICATION/SOFTWARE PRODUCTS

PRODUCT	DESCRIPTION	NUMBER INSTALLED	CPU REQUIREMENTS (OPERATING SYSTEM)
SOFTWARE PRODUCTS • PMS/SERIES II – POLICY MANAGEMENT SYSTEM (PMS)	Nucleus of the PMS software. Features include rating, policy printing, underwriting support and claims processing. Interfaces are available to other PMS products. Additional functions that can be integrated as needed include commercial lines and workmen's compensation.	170	IBM 370, 30XX, 4300 (MVS, SNA, CICS, TSO)
– FINANCIAL MANAGEMENT SYSTEM (FMS)	For accounting, general ledger and budgeting.	60	IBM 370, 30XX, 4300 (MVS, SNA, CICS, TSO)
– SECURITIES MANAGEMENT SYSTEM (SMS)	For managing and monitoring a securities portfolio, bonds and stocks.	22	IBM 370, 30XX, 4300 (MVS, SNA, CICS, TSO)
– REPORTING SYSTEM (RS)	For comprehensive report generation.	100	IBM 370, 30XX, 4300 (MVS, SNA, CICS, TSO)
– AGENCY ACCOUNT RECONCILIATION SYSTEM (AARS)	For agency accounting and reconciliation.	100	IBM 370, 30XX, 4300 (MVS, SNA, CICS, TSO)
– GENERALIZED TABLE ACCESS METHOD (GTAM)	For repetitive, duplicate program tables.	100	IBM 370, 30XX, 4300 (MVS, SNA, CICS, TSO)
– EXTRACTO	For specialized report generation.	100	IBM 370, 30XX, 4300 (MVS, SNA, CICS, TSO)
– REINSURANCE MANAGEMENT SYSTEM	For managing insuring of insurance companies.	New system, one will be installed by end of 1981 for parent company	IBM SERIES 1 (COBOL, MTM)

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- Policy entry and editing.
- Policy information inquiry.
- Claims entry, processing and inquiry.
- Policy rating.
- Agency account reconciliation and billing.
- Direct bill accounting.
- Claims draft and premium refund.
- Policy file updating.
- Policy file maintenance.
- Automated policy cancellations and renewals.

- PMS's software, called the PMS II Family of Systems, is also sold separately. A description and the number of installed packages are listed in the exhibit.

R & D ACTIVITIES

- PMS is developing two new products for its Series II Family. These are projected to be available in 1983.
 - Electronic Message System (EMS).
 - ACCESS (Agency Company Communications Electronic System Support) will function as an interface between two systems (Agency Management System and Policy Management System). The interface will allow agent to company and company to agent communications and will be supported by PMS. ACCESS will be sold in two parts: agent-originated communications by Commercial Union and company-originated by PMS.
- In 1978, PMS began research on a distributed function system (PMS/DF). It was subsequently shelved while PMS took the different approach of distributed data processing (PMS/DDP). PMS/DF has now been reconsidered and is being developed as a possible offering in late 1982.

INDUSTRY MARKET

- Insurance industry: 100% (property and liability).

GEOGRAPHIC MARKETS

- United States	75%
- Canada	20
- Australia	4
- Europe	1
	100%

- PMS maintains offices in Los Angeles, Dallas, Chicago, and Hartford (CT) plus the Toronto, Canada, office of Policy Management Systems, Ltd.

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COMPUTER HARDWARE AND SOFTWARE

- PMS's data center is located in Columbia (SC) and uses:
 - 1 IBM Series 1.
 - 1 IBM 4331 Series 2, operating under MVS, SNA, CICS and TSO.
 - 2 IBM 370/168s, operating under MVS, SNA, CICS and TSO.
- On order are an IBM 3081 and Amdahl V6.

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

September 1996

PointCast, Inc.

President
& CEO: Christopher Hassett
10101 N. De Anza Boulevard
Cupertino, CA 95014
Phone: (408) 253-0894
Fax: (408) 253-4058
Internet: http://www.pointcast.com

Status:	Private
Employees:	135 (9/96)

Company Description

PointCast, Inc. was founded in 1992 to provide current news and information services to viewers via the Internet.

- *Journalist*, the company's first product, was released in 1992 and is currently available exclusively to CompuServe subscribers.
- New PointCast products include the *PointCast Network* and the *PointCast I-Server* for corporate intranets, both released in 1996.

Incorporated into PointCast products is the company's patent-pending SmartScreen technology, which automatically begins running up-to-the-minute headlines when a viewer's computer is idle.

Organization and Structure

PointCast is headquartered in Cupertino (CA).

PointCast's executives appear in the exhibit on the following page.

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PointCast, Inc.
Key Executives

Name	Title
Christopher Hassett	President & CEO
Gregory Hassett	VP Engineering & CTO
John P. Jewett	VP & CFO
Jaleh Bisharat	VP Marketing
Francis Blot	VP Business Development
Douglas W.C. Boake	VP Pacific, Asia, Latin America
Joe Pistritto	VP Server Systems Engineering
James P. Reilly	VP Strategy
Anna Zornosa	VP Sales

Company Strategy

PointCast views its service as a new broadcast medium rather than an on-line service. As a result, the company operates like radio and broadcast television—the service is supported by advertising and free to users.

Financials

In July 1996, the company announced that it had concluded a private placement of more than $36 million of Series D preferred stock.

Employees

In January 1996, PointCast had approximately 55 employees.

The company currently has 135 employees.

Key Products and Services

PointCast Network

The PointCast Network broadcasts personalized news, stock quotes, weather, sports, and other information directly to a user's computer screen.

- Information can be "pointcasted" or customized according to each individual's interest.

- The PointCast Network delivers up-to-the-minute news and information to any user with access to the Internet. PointCast's patent-pending SmartScreen technology automatically begins running when a user's computer is not in use, or viewers can choose to activate the PointCast Network at their convenience.

- Users can view current headlines, stock quotes, and sports scores on their screen. To obtain the full story on any topic, the viewer clicks on the headline.

The software is available free from PointCast's Web site, or is available as a Netscape Navigator plug-in.

Content is provided by a variety of sources, including CNN, Time Warner's Pathfinder, Boston Globe, Los Angeles Times, Reuters, AccuWeather, Sports Ticker, PR Newswire, Business Wire, and Standard and Poor's Comstock stock ticker service.

PointCast I-Server

PointCast I-Server enables companies to broadcast internal news on their own channels on the PointCast Network.

- Currently in beta, PointCast I-Server resides behind a corporation's firewall and acts as a local broadcast facility for corporate intranets. It extends the capabilities of the PointCast Network to enable companies to broadcast internal news alongside that of public channels.

- Once PointCast I-Server is installed, PointCast's SmartScreen technology will begin running content from a company's private intranet channel and the network's

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public channels when an employee's computer is not in use.

- The final release version of PointCast I-Server is expected to be available in the fall of 1996 and will cost $995 per server CPU. The software runs on an Intel-based personal computer running Windows NT.

PointCast CD ROM Kit

In August 1996, PointCast announced that it would release a CD ROM kit targeted at Internet novices who have never downloaded free software on-line.

PointCast will bundle Netscape Navigator and AT&T's WorldNet Service on the CD-ROM for consumers who lack a browser and Internet service provider. The company also plans on including a guide book and 30 days of complimentary phone service with the CD ROM, which is scheduled for availability in retail stores in the fall.

SmartAd Broadcast System

The SmartAd Broadcast System (SBS) is an ad delivery system that gives advertisers greater control over when their ads play on the PointCast Network, as well as increased broadcast options, such as the ability to purchase media time by the week and the ability to increase the frequency with which ads are played.

PointCast Viewpoint

PointCast maintains Viewpoint, an on-line magazine for PointCast viewers that provides product announcements, news releases, reference, information, and links.

Clients

PointCast's primary clients are end users who use the company's service for free, and corporate IS managers who use its PointCast I-Servers on intranets.

Additional clients are companies that purchase advertising space on the PointCast SmartScreens. These companies include Saturn, Quarterdeck, Fidelity Investments, EDS, MCI One, NationsBanc, Microsoft, Avis, and American Airlines.

Alliances

PointCast has alliances and partnerships with the following companies:

- Infoseek and PointCast have a technology agreement that provides PointCast Network viewers with an option for accessing additional news and information via a link to Infoseek.

- The Audit Bureau of Verification Services (ABVS) and PointCast have an agreement for ABVS to create a customized auditing system to verify the accuracy of figures reported by the SmartAd Broadcast System (SBS).

- Netscape Communications and PointCast have a marketing and technology agreement that includes the availability of PointCast Network as a Netscape Navigator plug-in.

- EDS and PointCast have a strategic and technology partnership to develop products and services for the PointCast Network. EDS will provide technical and data center support for the PointCast Network and also will provide backup services to accommodate a large number of simultaneous user downloads. Additionally, the companies cooperate in a number of marketing programs.

- CNN and PointCast have a partnership to provide PointCast Network viewers with CNN news from around the world. This service, scheduled to begin in fall 1996, will also provide options to viewers to receive CNN Financial Network (CNNfn) and

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CNNSI, a joint venture between CNN and Sports Illustrated.

Competition

PointCast has no direct competitors as an on-line broadcast medium. The company does compete indirectly with off-line readers and information services such as FreeLoader and First Floor's Smart Bookmarks Software.

INPUT Assessment

PointCast's strengths include:

- The rapid acceptance and widespread use of PointCast Network (already over one million downloads)
- The appeal of "pointcasted" advertising to companies
- The emerging market for intranet-based customizable information sources tapped by PointCast I-Server

Challenges for the future include:

- Improving and updating the PointCast Network and related services to expand and elevate the breadth and quality of available information
- Introducing new options for the viewer
- Corporate adoption of PointCast I-Server
- International versions of the PointCast Network

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COMPANY PROFILE

POORMAN-DOUGLAS CORPORATION
1325 Southwest Custer Drive
Portland, OR 97219
(503) 245-5555

Kenneth Poorman, Chairman
John Douglas, President
Private Corporation
Total Employees: 150
Total Revenue, Fiscal Year End 12/31/85: $10,000,000

THE COMPANY

- Poorman-Douglas Corporation, founded in 1968, currently provides processing services and turnkey systems to medical and dental clients primarily located in the Pacific Northwest and California; processing and sales follow-up services to automobile dealerships; micrographics services; and processing and software development to a variety of industries.

- Poorman-Douglas is currently organized into three divisions and two subsidiaries as follows:

 - Medical Division: processing services and turnkey systems.

 - General Services Division: processing services.

 - Automotive Division: sales follow-up and customer relations services involving processing.

 - COM Northwest, Inc.: micrographics.

 - TIDEX: computer hardware.

- Poorman-Douglas' 1985 revenue was approximately $10 million. The company conservatively estimates 1986 revenue will reach $12 million.

KEY PRODUCTS AND SERVICES

- The majority of Poorman-Douglas' 1985 revenue was derived from its various processing services. The remainder was derived from turnkey systems. An INPUT estimate of source of revenue for 1985 by operating division follows:

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	Percent of Total
Medical	50%
General Services (a)	22
Automotive	8
COM Northwest	20
	100%

(a) Does not include revenue for services billed to the Medical and Automotive Divisions.

- The Medical Division has two turnkey system products and provides processing services to the medical/dental industry.
 - MED 990, based on the Texas Instruments 990, provides medical accounting, general ledger, accounts payable, payroll accounting, accounts payable, and word processing to large medical and dental offices. The system ranges in price between $30,000 and $200,000 depending on the client's hardware and software requirements.
 - The Ledger Solution™, a second-generation medical accounting system, is based on the Texas Instruments Business System series computers.
 - The system is capable of supporting multiple terminals in different departments and permits simultaneous access to a central data base for retrieval, update, and reporting functions.
 - Applications are available as follows:
 - Automated scheduling of appointments and preparation and tracking of charge slips.
 - Patient registration and information files.
 - Medical records.
 - Business administration, including audit trails, general ledger, accounts payable, payroll, word processing, management reports, report scheduling, and work planning.
 - Insurance and patient billing and claims management.
 - Electronic claims.
 - Credit and collections management and reporting.

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- Practice analysis and patient practice profiles.

 - Remote communications capabilities permit the physician to access the Ledger Solution from his home via a terminal or microcomputer for patient and schedule information.

 - A remote diagnostic capability permits Poorman-Douglas staff to assist clients by reading their screens remotely.

 - The Ledger Solution ranges in price from $14,000 to $80,000 and serves offices smaller than those served by MED 990.

 - As the company shifts its emphasis to the market provided by smaller medical offices, the Ledger Solution has taken the place of MED 990 as Poorman-Douglas' primary product.

- The General Services Division provides standard and customized processing services to a variety of industries in the Northwest and California. Clients include Crown Zellerbach, Hyster Company, and Nike, among others. The Medical and Automotive divisions of the company are also clients of the General Services Division. Much of their processing business is done by General Services.

- All processing done by the Automotive division is batch and is provided in conjunction with sales follow-up or customer relations packages, such as personalized warranty reminder cards.

- COM Northwest provides micrographics services to customers in the Northwest and California.

- TIDEX, the latest addition to Poorman-Douglas, is a broker of Texas Instruments computers. It sells hardware from TI and other manufacturers to dealers and VARs.

INDUSTRY MARKETS

- Since October 1984, the majority of Poorman-Douglas' revenue has come from the medical industry (physicians and clinics). The remainder is derived from general business and the retail automotive industry. With the addition of TIDEX, hardware sales to various industries will contribute significantly to future revenue.

GEOGRAPHIC MARKETS

- As a whole, the company draws clients from the Northwest. The Automotive and Medical Divisions, however, sell to all parts of the country.

COMPUTER HARDWARE

- Poorman-Douglas uses an IBM 4341 Group II located at the General Services division for most of its data processing business.

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COMPANY HIGHLIGHT

POORMAN-DOUGLAS CORPORATION
1325 Southwest Custer Drive
Portland, OR 97219
(503) 245-5555

Kenneth Poorman, Chairman
John Douglas, President
Private Corporation
Total employees: 285
Total Revenue, Fiscal Year End 12/31/80: $11,300,000*
Computer services revenue: $11,000,000*

THE COMPANY

- Poorman-Douglas Corporation, established in 1968, provides processing services (including COM) and turnkey systems primarily for clients in the Pacific Northwest. Industry specialty areas include medical, banking, and automotive dealerships.

- Poorman-Douglas is organized into five divisions and two subsidiaries.

 - Medical Division: processing.
 - General Services Division: processing.
 - Banking Division: processing.
 - Automotive Division: automotive sales processing services.
 - Dealer Twenty Division: financial consulting to the automotive industry.
 - P-D Computers, Inc.: medical turnkey systems.
 - COM Northwest, Inc.: micrographics.

- Competitors in the medical area are CyCare Systems, Science Dynamics, and Wang. Automatic Data Processing and Service Bureau Company are competitors for general business processing.

KEY PRODUCTS AND SERVICES

- INPUT estimates Poorman-Douglas revenue as follows:

- Processing Services	$ 9.5	84%
- Turnkey Systems	1.5	13
- Consulting (non-EDP related)	.3	3
	$11.3 million	100%

- Poorman-Douglas provides processing services in the medical, banking, automotive and general business areas.

*INPUT estimate

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- Batch, remote batch, and a distributed data processing product are provided to doctors, dentists, clinics, and to hospitals for outpatient data.

 - Approximately 1,500 physicians and dentists in the Pacific Northwest are clients.

 - Medical processing applications available include accounts receivable, patient registration, income by physician, and insurance billing.

 - Poorman-Douglas's distributed processing product, the Med-98, is used for data entry and editing.

- The General Services Division provides general accounting, payroll, and custom processing services to business firms in Oregon and Washington.

- Bank processing services are provided to about 15 clients. Service contracts cover processing for demand deposit accounting, savings accounts, and commercial, mortgage and industrial loans. On-line inquiry and administrative update capabilities are available.

- The Automotive Division provides management data to dealerships for sales tracking purposes.

- COM Northwest, Inc. provides micrographics services from a data center in Portland.

- P-D Computers, Inc. markets MED 990, a turnkey system for clinics and physician groups. Offered on Texas Instrument 990s, the system provides medical accounting, general ledger, accounts payable, payroll accounting, and word processing.

 - MED 990 is priced from $40,000 to $200,000. An average system sells for $70,000.

- The Dealer Twenty Division provides financial consulting and promotional aid services to automotive dealers.

INDUSTRY MARKETS

- An estimated 47% of Poorman-Douglas's revenue is derived from the medical industry (clinics and physicians), 13% from banking, 26% from general business firms and 14% from retail (automotive) distribution.

GEOGRAPHIC MARKETS

- The majority of clients are located in Oregon, Washington, Idaho and Montana.

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- Poorman-Douglas maintains offices in Spokane and Seattle (WA) and Portland, Eugene, and Tigard (OR).

COMPUTER HARDWARE

- Location and equipment installed at the data centers are:
 - Seattle
 - IBM 370/135.
 - Portland.
 - Dual IBM 370/145s.
 - Eugene.
 - IBM 360/40.

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COMPANY HIGHLIGHT

POORMAN-DOUGLAS CORPORATION
1325 Southwest Custer Drive
Portland, OR 97219
(503) 245-5555

Kenneth Poorman, Board Chairman
John Douglas, President ←
Private
Total employees: 280
Total revenues fiscal year end
12/31/77: less than $8,000,000
Computer services revenues:
$5.6 million

THE COMPANY

- Poorman-Douglas Corporation (P-D) has been principally a batch service bureau since it became an Oregon corporation in 1968. It has grown through both internal and external growth to 1977 revenues of just under $8 million. This is a 14% growth over fiscal 1976 revenues of approximately $7 million.

 - Non-computer services revenues, which account for about 30% of revenues, are generated by computerized mail-order operations, an ad agency that serves mail-order customers, and financial consulting services for automobile dealers.
 - Management claims the company is profitable.

- P-D has made four acquisitions since it was founded. The last was in December 1977 when it completed its purchase of COM Northwest, a microfiche service bureau.

KEY PRODUCTS AND SERVICES

- One hundred percent of P-D computer services revenues are generated by processing services, primarily offered in batch mode. About two-thirds of processing services offered are of the industry specialty type.

 - Specialty applications provided to automobile dealers account for approximately 25% of processing services revenues.
 - Services tailored to the medical industry, primarily physicians, dentists and clinics, represent about 30% of fiscal 1977 processing services revenues.
 - The balance of processing services revenues are divided among general business, utility, and scientific and engineering applications. They tend to concentrate most heavily in business applications and least heavily in scientific and engineering applications.

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- Occasionally, P-D provides professional services - primarily customization of its processing services - but attempts to keep this to a minimum.

APPLICATIONS Industry specialty services generate approximately 67% of computer services revenues. The other 33% are from general business, utility, and scientific and engineering services.

INDUSTRY MARKETS

- Fiscal 1977 computer services revenues were concentrated in the medical and retail distribution industries, as shown below:

- Medical (including physicians, dentists and clinics)	30%
- Retail distribution (automobile dealers)	25
- Other (forest products, etc.)	45
	100%

GEOGRAPHIC MARKETS

- Batch processing services revenues are concentrated in the Pacific states region of the U.S., namely, the states of Oregon, Washington and Alaska. Several customers are also located in Idaho.
- Automobile dealer revenues are distributed throughout the U.S. and Canada and correlate approximately with the population of automobile dealers.
- Branch offices are located in Eugene, Oregon, and Seattle, Washington.

COMPUTER HARDWARE AND SOFTWARE

- Batch processing services are performed on the following three IBM mainframes:
 - One IBM System/370 Model 145, running under DOS.
 - Two IBM System/360 Model 40s, running under DOS.
 - One IBM System 30 Model 40, running under DOS.
- The equipment is located in Seattle, Washington, and Portland, Oregon.

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

May 1994

Power Computing Company

President: Robert R. Andrews
1930 Hi Line Drive
Dallas, TX 75207
Phone: (214) 655-8822
Fax: (214) 655-8836

Status:	Subsidiary
Parent:	McDermott Incorporated
Employees:	210
Revenue:	$ 36,000,000
Noncaptive Revenue:	$ 30,000,000
Fiscal Year End:	3/31/94

Key Points

- Power Computing provides computer operations and support services and is the nation's largest commercial supplier of supercomputing services. The company has been supplying information services for more than 30 years.
- A steady increase in systems operations revenue over the past three years has offset declines in scientific and engineering utility processing services.
- The company has long-standing expertise in the oil/gas and utility industries, but is deriving an increasing percentage of revenue from other markets, including manufacturing and health care.
- In January 1994, Power Computing signed its first Applications Support Services agreements with Dr. Pepper, Colonial Savings and Loan and Southwestern Bell Mobile Systems. The services were introduced last year as an extension of Power Computing's outsourcing services.

Company Description

Power Computing provides systems operations, professional services and

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processing services to clients across industries. Services range from applications consulting and support to relocating entire data center operations to Power Computing's data center.

The company also provides all data processing services for its parent, McDermott International, Inc. McDermott. a $3 billion corporation headquartered in New Orleans (LA), as well as its subsidiaries, manufacture steam-generating equipment, environmental equipment and defense and aerospace products. McDermott also provides engineering and construction services to the off-shore oil and gas industry.

Power Computing was founded in 1963 as part of University Computing Company (later named UCCEL).

- In 1986, Power Computing became part of Babcock & Wilcox Company, an operating unit of McDermott.
- Effective April 1, 1994, Power Computing became a wholly owned subsidiary of McDermott, with President Robert Andrews reporting to Brock Hattox, McDermott's chief financial officer.

Company Strategy

Power Computing's strategy is to provide reliable, high-quality systems management services to its clients.

There is a range of companies across industry sectors looking to minimize their data processing expenditures. As an outsourcer, the most effective way to reduce these costs is to provide precise systems management expertise. Power Computing is able to offer a range of outsourcing services with flexible solutions to match customer business needs.

As the company's Control Data and Cray-based scientific/engineering utility processing services continue to decline, there is increased focus on the systems operations and professional services activities of the company.

Power Computing also plans to extend its services to managing and support the client/server platform based on market demand.

Financials

Power Computing's total fiscal 1994 revenue was $36 million, approximately the same as in fiscal 1993. Approximately 17% ($6 million) of revenue came from services provided to various units of McDermott.

- Lack of revenue growth was attributed to continuing declines in utility processing revenue which were offset by increases in the systems operations business.
- Systems operations revenue increased by 40% over fiscal 1993 levels.

Market Financials

Power Computing clients include energy/oil and gas, electric power/nuclear utility, health care, manufacturing, telecommunications and transportation companies, as well and federal and state governments.

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Due to its historical background and its parent company's business focus, many Power Computing clients are from the energy/oil and gas industries.

Approximately 17% ($6 million) of Power Computing's fiscal 1994 revenue was derived from various units of McDermott. The remaining 83% ($30 million) of revenue was derived approximately as follows:

Energy/oil and gas	25%
Health care	15%
Electric power/nuclear utility	10%
Manufacturing	10%
Transportation	5%
Federal government	15%
Other	20%
	100%

Power Computing targets companies with annual data processing expenditures ranging from $1 million to $50 million.

Revenue by Product/Service:

Power Computing's $30 million in noncaptive revenue for fiscal 1994 was derived approximately as follows:

Systems operations	60%
Professional services	25%
Processing services	15%
	100%

Systems operations revenue is derived from all the industries targeted by Power Computing.

Professional services revenue comes primarily from federal and state government clients.

Processing services revenue comes from Control Data and Cray-based scientific and engineering utility processing services provided to the energy/oil and gas and utility industries.

Geographic Markets

Approximately 98% of Power Computing's noncaptive revenue is derived from the U.S.

Power Computing has the capability to service clients anywhere in the U.S. Its present client base is concentrated mostly in the southeastern U.S. and Texas, however the company has customers across the southern half of the U.S.(below St. Louis), from California to Florida.

Power Computing has approximately 210 employees, segmented as follows:

Marketing and sales	26
Customer support	12
Professional services	40
Computer operations	103
General and administrative	29
	210

Key Products and Services

Power Computing provides a range of systems operations, as well as professional and processing services.

The company's multiplatform, multi-environment Dallas data center provides support seven days a week, 24 hours a day. The data center houses IBM, DEC VAX, Control Data Cyber and Cray computers. Operating systems maintained in these environments include MVS/ESA, MVS/XA, VMS, VM/ESA,

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VSE/ESA, VM/SP, VMS, DOS/VSE, NOS/VE, NOS2, UNIX, AIX and UNICOS.

Applications Support Services:

The Applications Support Group provides a range of services to companies that use vendor-written software packages. The group supports financial, human resource and payroll applications from companies such as Dun & Bradstreet Software Services, JD Edwards, Walker Interactive Products, SAP America and GENESYS.

Power Computing provides a range of technical and consulting services for applications maintenance management functions, including project consulting services, applications support and development and special project assistance.

- Application Support Services are available for short-term or long-term projects. Applications can be maintained on-site at the company or at Power Computing's Dallas data center.
- Professional consulting services include system installation, implementation, upgrades or modifications, interface creation, report writing, system conversion, application training and system orientation and accounting.
- In addition, the group provides 24-hour, on-call technical support for system applications, including batch cycle monitoring, scheduling assistance and production and special run abend resolution.

Systems Operations:

Power Computing offers management of any data center function--systems programming, tape operations, DASD management, printer operations, production control, capacity planning, conversion of files and applications to Power Computing facilities, disaster recovery plans and other services.

Services are generally provided under contracts ranging from three to five years.

Facilities Management:

Services include full management of client data center operations at the Power Computing Dallas data center, including hardware software and network support.

Services are generally provided under contracts ranging from three to five years.

Transitional Outsourcing:

Power Computing provides interim processing services for clients in a period of unanticipated change or demand, such as relocation, downsizing, reorganization, acquisition, merger or platform migration.

Transitional planning and ongoing help desk support services are also provided.

Services are generally provided under contracts ranging from three to five years.

Network Services:

Power Computing offers full-range design, planning and implementation services, as well as daily management of data flow and network availability and maintenance. The network control center staff continually monitors communications

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between the Power Computing data center and client locations (including McDermott operations) worldwide.

Professional Services:

Power Computing consultants work with clients to align information systems solutions with business needs. Services include information engineering, project management, software design and development, software conversion and enhancements, technical writing and publishing, training, software quality assurance, database design and management, and local- and wide-area network design and management.

Services are generally provided on a project or time-and-materials basis.

Utility Processing:

Power Computing continues to provide scientific and engineering utility processing services to approximately 10 clients.

Contracts

In January 1994, Power Computing announced Applications Support Services agreements with Dr. Pepper Bottling Company, Colonial Savings and Loan and Southwestern Bell Mobile Systems. Power Computing will provide project and applications support for each company's Dun & Bradstreet financial software packages.

- Power Computing will provide 24-hour, on-call technical and systems applications support to Dr. Pepper and Colonial Savings.
- In addition, as part of its on-site project consulting services, Power Computing will provide system upgrades or modifications to Southwestern Bell Mobile Systems applications.

In January 1994, Power Computing announced a five-year, $5 million outsourcing agreement with The Louisiana Land & Exploration Company (LL&E)—an oil and gas exploration firm based in New Orleans. Power Computing will provide data processing support on IBM mainframe platforms from its Dallas data center for LL&E's business applications, including financial processing, land and lease record systems, refinery processing systems, liquid and gas marketing systems and administrative support systems.

In November 1993, Power Computing announced a four-year, $5 million outsourcing agreement with Valenite Inc., a tool manufacturing subsidiary of Cincinnati Milacron based in Troy (MI).

- Power Computing is providing data processing support from its Dallas data center for Valenite's financial applications, including payroll, personnel, account receivables and account payables as well as manufacturing applications such as inventory control and distribution processing.
- During the term of the contract, Power Computing will facilitate Valenite's migration from a mainframe to other platforms to help reduce Valenite's processing costs.

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In July 1993, Power Computing announced a three-year, $2.5 million outsourcing agreement with Dallas-based Third Party Claims Management (TPCM)/Millennium Healthcare, Inc., an electronic health care reimbursement company.

- Power Computing is providing on-line transaction processing support from its Dallas data center facility for TPCM's claims payers.
- In addition, Power Computing is migrating TPCM's national, multisite data processing network

In August 1992, Power Computing announced two long-term outsourcing agreements worth $12 million.

- For Ohio-based machine-tool manufacturer Cincinnati Milacron, Power Computing has assumed all general data processing responsibilities at its Dallas processing center for Cincinnati Milacron's seven business units. All business applications are processed on IBM mainframes. Cincinnati Milacron retains a separate, dedicated IBM mainframe for CAD/CAM applications.
- For B&W Nuclear Technologies, a former unit of Babcock & Wilcox based in Lynchburg (VA), Power Computing has a similar outsourcing arrangement. Applications are being processed on IBM, Cray and Control Data Cyber mainframes.

For Electronic Power Research Institute (EPRI), Power Computing is providing requirements definition, software development, database integration, user support services, graphical user interface development and instructorless training services.

Clients

Power Computing currently has more than 400 clients nationwide, including the following:

Energy/Oil and Gas—Louisiana Land & Exploration Company, Santa Fe International Corporation

Utilities—ABB Combustion Engineering Nuclear Power

Health care—EPIC Healthcare Group, Third Party Claims Management (TPCM)/Millennium Healthcare, Inc.

Manufacturing—Cincinnati Milacron, Valenite Tool, Dr Pepper Bottling Company

Government—State of Missouri

Applications Support—Southwestern Bell Mobile Systems, Colonial Savings and Loan, Dr. Pepper

Marketing and Sales

Power Computing markets its services through a direct sales force of about eight.

The company also has joint selling relationships with various systems integrators.

Alliances

Power Computing has various alliances as follows:

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- IBM Authorized Industry Remarketer for IBM's RS/6000 and PS/2 platforms.
- Texas Instruments' Strategic Alliance Partner for TI's Information Engineering Facility (IEF), providing IEF customers computing and consulting resources
- Novell Gold Authorized Reseller
- Member of Apple Computer's Consultants Relations Program

Competition

Power Computing's primary competitors include SunGard Data Systems, PKS Information Services and Genix. The company also competes on occasion with IBM ISSC, Advantis and CSC.

INPUT Assessment

Power Computing focuses its activities in the energy-related fields of process manufacturing and utilities, oil and gas as well as manufacturing and health care industries. Power Computing has a complete range of computers—from minicomputers to supercomputers—that is particularly appropriate for these industries. In addition, the company supports workstation platforms as well as client/server environments.

As more and more companies move to client/server environments, the management problems associated with distributed/network and desktop computing will increasingly become evident. There will be a need to seek expertise in systems management from companies like Power Computing to identify and/or provide cost-effective systems management techniques.

Parent Company

McDermott International, Inc.
1450 Poydras Street
New Orleans, LA 70112-6050
(504) 587-5400

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Irene Girardi
Controller

COMPANY HIGHLIGHT

Dropped 1/81

PRAXA DATA CENTERS, INC.
26 Springdale Road
Cherry Hill, NJ 08003
(609) 424-3600

Arthur Kramer, President
Private corporation
Total employees: 71
Total revenues fiscal year end 8/31/77: $2,200,000
Computer services revenues: over $2,000,000

THE COMPANY

- Praxa Data Centers, Inc. (PDC) was incorporated in 1967 in Pennsylvania. Its principal businesses are batch processing and turnkey minicomputer systems.

- PDC's 71 employees are distributed as follows:

Marketing/sales	3
Software services and customer support (which includes eight programmers on minicomputers and six CPAs who perform customer support functions)	18
Computer operations (including 13 keypunch operators)	20
General and administrative (including six delivery people and six data control people)	18
Other	12
	71 people

KEY PRODUCTS AND SERVICES

- Processing services generated 90% and turnkey systems 10% of fiscal 1977 revenues. By the end of fiscal 1978, processing services are expected to generate about 60% of revenues and turnkey systems 40%.

- Processing services are all offered in batch mode and are general business services. Services include:

 - Accounts receivable
 - Accounts payable
 - Inventory control
 - Bill of materials
 - Order entry/invoicing
 - Sales analysis
 - General ledger
 - Payroll

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- Currently, there are about six turnkey systems installed. Management expects to have 15 turnkey installations by the end of fiscal 1978 and 30 or more by the end of fiscal 1979. Applications software includes:

 - Accounts receivable
 - Accounts payable
 - Inventory control
 - Order entry/invoicing
 - Sales analysis
 - General ledger
 - Engineering data control
 - Cost accounting/production order control

- In the future, management plans to concentrate on minicomputer systems and expand geographic area covered.

APPLICATIONS All processing revenues are derived from general business applications, most of which are accounting oriented.

INDUSTRY MARKETS PDC's revenues for fiscal 1977 were distributed by industry approximately as follows:

Manufacturing		35%
Discrete	35%	
Distribution		35
Wholesale	25	
Retail	10	
State and local government		5
Education		2
Other		23
Construction	10	
Race tracks	10	
Miscellaneous	3	
		100%

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COMPANY HIGHLIGHT/PRAXA DATA CENTERS. INC.

GEOGRAPHIC MARKETS All of PDC's revenues are derived from the Middle Atlantic region of the U.S., within a 120 mile radius of Philadelphia.

COMPUTER HARDWARE AND SOFTWARE

- Batch processing services are performed on an IBM System/360 Model 50 mainframe.
- DEC PDP-11 minicomputers are used in turnkey systems.

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

July 1994

PRC Inc.

President & CEO: James J. Leto
1500 PRC Drive
McLean, VA 22102
Phone: (703) 556-1000
Fax: (703) 556-1174

Status:	Subsidiary
Parent:	The Black & Decker Corporation
Employees:	6,800
Revenue:	$ 760,700,000
Information Services Revenue:	$ 695,000,000*
Fiscal Year End:	12/31/93

* INPUT estimate

Key Points

- PRC provides scientific and technology-based systems and services to government and commercial clients.
- In late 1992, PRC was awarded its largest contract ever—the Super-Minicomputer Program (SMP)—to provide client/server computer systems to government agencies. This contract has a long-term potential value approaching $2.5 billion.
- In late 1993, PRC streamlined the structure of its Federal Systems Group, consolidating eleven divisions into five business units to enable the company to compete more effectively in the federal market and align the company more closely with its customers.
- During 1993, PRC also restructured the businesses within its Commercial Systems Group to create customer-focused teams with greater decision making authority.

Company Description

PRC provides full lifecycle systems and services to federal government national priority markets, including defense, intelligence, commerce, criminal justice, space, healthcare and education; and to the real estate, public

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safety; and environment markets.

The company's full lifecycle systems and services include:

- Consulting Services—policy analysis and development, process reengineering and requirements analysis
- Development—systems engineering, software development and application products
- Integration and Deployment—systems integration, implementation, installation and training
- Continuing Operations—outsourcing, process management and facilities management

PRC operates as a subsidiary of Black & Decker, a $4.9 billion manufacturing firm based in Towson (MD) specializing in power tools, household appliances and plumbing products.

PRC was created in January 1991 with the merger of Planning Research Corporation and Advanced Technology, Inc.—two professional services/systems integration firms acquired by Black & Decker in early 1989 with the acquisition of Emhart Corporation.

Operations and Structure

PRC is organized into three operating groups as follows:

- The Federal Systems Group (FSG), headquartered in McLean (VA) with approximately 4,525 employees, provides business-oriented systems and services to the U.S. government, including systems that manage information and perform business and mission-specific functions for both defense and civilian agencies. FSG has five business units:
 - Information Technology
 - C^4I Systems
 - Complex Systems Integration
 - Information Systems
 - Applied Engineering
- The Commercial Systems Group (CSG), based in McLean (VA) with 870 employees, is a leading provider of computer-based multiple listing services (MLS) for real estate brokers and computer-aided emergency dispatch and related criminal justice systems for state and local government. CSG also provides integrated information and engineering services to the utility industry. CSG has three business sections:
 - PRC Realty Systems, Inc.
 - PRC Public Sector, Inc.
 - PRC Engineering Systems, Inc.
- PRC Environmental Management, Inc., (EMI) based in Chicago, IL with 780 employees, provides environmental engineering and consulting services for domestic and international governments, states, industries and professional service firms. EMI contributed approximately 12% to PRC's 1993 revenue.

Company Strategy

Market Focus:

PRC's competitive advantage is in the way it combines technical strength and customer business knowledge to meet the special needs of its target markets.

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- For example, in public safety, PRC uses its strength in client/server computing, software engineering, network integration, imaging and wireless communications together with functional expertise in emergency dispatching, law enforcement and criminal justice to provide information systems for state and local public safety agencies. PRC holds a leading market share in this and other similarly defined market segments.

- PRC's strategy is to grow organically within current and adjacent markets. Core markets include:

 - Federal Government/National Priority Markets—Defense, Intelligence, Criminal Justice, Space, Commerce, Healthcare, Education

 - Real Estate Information

 - Public Safety

 - Environment

New initiatives are underway in technical document management systems and criminal justice information systems.

Technology Transfer:

Wherever possible, PRC transfers technology across various sectors of the business.

- For example, PRC has been among the top document imaging integrators since the award of the U.S. Patent and Trademark Office contract in 1984. Since that time, PRC has been awarded over $1 billion in imaging systems, including all branches of the Department of Defense, civilian agencies such as the National Weather Service and the FBI, state and local law enforcement agencies and the real estate industry.

- PRC is a leader in the design, development and deployment of client/server systems using an open distributed architecture. In 1993, a Software Engineering Process Initiative was launched to improve software productivity and quality, while gaining compliance with Software Engineering Institute standards.

Additional technological strengths include network integration, imaging/multimedia, mobile computing, workflow, geographic information systems and user interface design.

People:

PRC implements innovative programs designed to improve customer and employee satisfaction and productivity.

- Programs underway include a 360 degree appraisal system whereby employees are appraised by supervisors, subordinates, peers and sometimes customers. The strategic plan includes the development of new training programs using cost-effective delivery media such as CD ROM and satellite broadcast and total compensation programs that address the changing needs of the workforce while tying more variable compensation to economic value creation.

- PRC continues to focus on programs that advance the hiring, retention and development of a diverse workforce.

Although 81% of revenue comes from federal markets, investments in commercial and international business remains a strategic

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priority. PRC is successfully transitioning skills gained from federal government work to commercial clients, especially in the area of document imaging.

Financials

PRC's 1993 revenue reached $760.7 million, a 4% increase over 1992 revenue of $733.9 million. A three-year financial summary follows:

PRC, Inc.
Four-Year Financial Summary
($ Millions)

	Fiscal Year			
Item	1993	1992	1991	1990
Revenue	$760.7	$733.9	$684.4	$519.1
• Percent change from previous year	4%	7%	3%	N/A
Operating income (a)	$32.0	$21.7	$35.4	$28.3
• Percent change from previous year	47%	(39%)	25%	N/A
Operating income	$28.9	$18.6	$32.3	$25.9
• Percent change from previous year	55%	42%	25%	N/A

(a) Excludes restructuring costs, credits and goodwill amortization.

Results for 1993 were primarily due to the following:

- Revenue increases in FSG, primarily from the SMP contract with the U.S. government awarded in 1992, more than offset declines in other federal areas and CSG.
- Excluding the SMP contract, FSG revenues declined because of a general slowing down of the government procurement process and the loss of certain recompete contracts.
- CSG's revenues declined primarily as a result of reductions in the Engineering Systems unit, which receives a large portion of its revenues from one customer that significantly reduced its demand for consulting services.
- Revenues from CSG's Realty Systems unit, which provides residential real estate multiple listing systems, declined during the year primarily due to lower publishing revenues as a result of reduced demands and related pricing pressures within the industry.
- CSG's Public Sector unit, which provides computer-aided emergency dispatch systems, generated increased revenues during 1993, successfully starting up several new contracts awarded in 1992. The unit continues to be hampered, however, by significant delays due to customer budgetary constraints and extended post-award negotiation cycles.
- EMI's revenues were flat compared to 1992, primarily due to the Environmental

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Protection Agency's slowdown in awarding new contracts.

Interim Results—Revenue for the three months ending April 3, 1994 reached $190.2 million, compared to $166.8 million for the same period in 1993.

Market Financials

Approximately 81% ($615 million) of PRC's 1993 revenue was derived from contracts with various agencies of the federal government and approximately 52% ($395 million) was from contracts with the U.S. Department of Defense.

The remaining 19% of 1993 revenue came from realty boards, state and local government, public utilities and international government and industry.

Revenue Analysis by Product Line:

INPUT estimates PRC's 1993 worldwide information services revenue was $695 million. U.S. information services revenue for 1993 was approximately $665 million and was segmented as follows:

Professional services	40%
Systems integration	35%
Systems operations	9%
Processing services	9%
Network services	4%
Applications software	3%
	100%

Geographic Markets

Over 95% of PRC's 1993 revenue was derived from the U.S. and less than 5% from international sources.

Employees

PRC has approximately 6,800 employees, segmented as follows:

Federal Systems Group:	
Applied Engineering	2,000
C⁴I Systems	525
Complex Sys. Integration	400
Information Systems	200
Information Technology	1,400
	4,525
Commercial Systems Group:	
PRC Realty Systems	550
PRC Public Sector	200
PRC Engineering Systems	120
	870
PRC Environment Management	780
Corporate and other	625
	6,800

Key Product and Services

PRC's products and services are summarized by operating group as follows:

Federal Systems Group (FSG):

Information Technology provides specialized technical engineering and consulting services for customers throughout the Department of Defense as well as civilian government agencies.

- Services include the design, development, acquisition and integration of information systems.
- PRC is providing engineering and technical services and life cycle support to the SPAWAR PD 60 C⁴I system development and acquisition efforts. Among the

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programs supported are the Joint Maritime Command Information Systems Ashore and the Navy Tactical Command System-Afloat, the Navy Tactical Command Support System, the Navy Oceanographic Data Distribution Expansion System and the Navy Worldwide Military Command and Control System.

- PRC provides a range of consulting services to assist federal agencies in their implementation of Total Quality Management (TQM) programs. Services include process re-engineering, training, implementation assistance and consulting.

- Major work locations include Crystal City, McLean and Reston (VA), San Antonio (TX), El Segundo (CA) and St. Louis (MO).

C4I Systems serves both federal and state governments by applying information sciences technology to solve complex command, control, communications, computers and intelligence (C4I) problems with associated professional services.

- For the National Air Intelligence Processing Center, Wright-Patterson Air Force Base, PRC has provided ongoing database and applications development covering a variety of technical subject areas. This includes radar and missile characteristics, soft copy photo exploitation, collection requirements management, database administration, database modeling and user familiarization.

- Under the Naval Command, Control and Ocean Surveillance Center Division contract in Philadelphia (PA), PRC designs and develops software and provides hardware and software integration for the Naval Tactical Command System Afloat Intelligence Processing System (NIPS) portion of the Joint Maritime Command Information System.

- Major work locations include Omaha (NE), Dayton (OH), McLean and Virginia Beach (VA) and Philadelphia (PA).

Complex Systems Integration provides value-added systems integration services in support of enterprise solutions.

- Most work is client/server oriented, generally follows an open systems paradigm, almost always involves large systems with diverse components and typically involves imaging applications, with an emphasis on migrating toward multimedia applications.

- For the Department of Commerce, PRC designed, developed, integrated and continues to support the U.S. Patent and Trademark Office's Automated Patent System (APS), which is capable of storing and retrieving 14 million paper documents and 130 million pages of text and graphics. The 12-year program is valued at $455 million.

- PRC is supporting the Automated Weather Interactive Processing System (AWIPS) under an 11-year program worth approximately $227 million. As part of the National Weather Service Modernization program, AWIPS will allow forecasters to quickly access multiple sources of data from a single workstation. Data sources include satellite imagery and radar images for tracking violent weather and up to 1,700 automated devices for collecting ground observations of temperature, precipitation, wind speed, direction and visibility.

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- Major work locations include McLean, Lake Fairfax and Reston (VA).

The Applied Engineering unit improves, upgrades and provides next-level technology systems for customers' existing information systems. This includes radar sites for the U.S. Air Force, testing activities for the U.S. Army and Navy and information systems for civilian agencies. In the case of civilian and defense agencies, PRC is taking mainframe systems into client/server environments.

- PRC develops and implements the automated data processing and telecommunications systems that support the entire NASA Headquarters' operations, making available the latest hardware and software for processing the large volumes of data required for space missions.

- At NASA Dryden, PRC supplied advanced technology for improved aerospace design and performance. PRC also supports simulations and models for many of the major flight projects at Dryden, including vehicle dynamics, aerodynamics and structural, propulsion and dynamic control models.

- Major work locations include Washington, D.C., San Diego, Los Angeles, Camarillo and Pasadena (CA).

Information Systems provides the latest technology to customers who are in the process of re-engineering their businesses and upgrading their information systems.

- Services range from requirements definition through installation and support for total solutions. This unit also provides document management systems, multimedia database publishing services (print, CD ROM etc.), document conversion services and computing services (both remote and at customers sites) to government and commercial clients.

- In 1992, PRC was awarded the Super-Minicomputer Program (SMP) contract by the U.S. Air Force. SMP provides extensive communications capabilities for local and wide-area networks, with complete UNIX systems ranging in size to serve from one to more than 250 users. SMP is used for acquiring low-risk, high-performance and standards-compliant computing solutions for all Department of Defense information system requirements. This contract has a total potential value of $2.5 billion over nine years.

- The Joint Engineering Data Management Information and Control System (JEDMICS) is a 10-year, $193 million Department of Defense procurement that calls for PRC to convert, store, protect, process, locate and retrieve large engineering drawings and related text. The documents are scanned and stored on network-accessible optical media, providing near-immediate on-line access at distributed workstations at a number of military installations.

Other FSG contracts include the following:

- In 1992, PRC was awarded a contract to provide document imaging services to Mobil Corporation.

- Other commercial clients who are investing in pilot imaging systems and studies include Philip Morris Companies and its Oscar Mayer Foods Division, Deere & Company and Rochester Gas & Electric Corporation. PRC is also providing an imaging system to

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help a leading Australian firm to manage its engineering drawings and documentation.

- In April 1994, PRC was awarded an eight-year, $75 million contract by the FBI to design, build, operate and provide ongoing maintenance for the Identification Tasking and Networking (ITN) component of the FBI's new Integrated Automated Fingerprint Identification System.

- In September 1993, PRC was awarded a five-year, $76 million contract by the John A. Volpe National Transportation Center in Cambridge (MA) to provide operations research and analysis support to the center to improve the nation's air, ground and sea transportation systems. PRC will work with a team of subcontractors to assist in the functional areas of human performance, modeling, economic and regulatory analysis, safety and security, environmental analysis and distribution logistics.

- PRC Aviation provides a range of consulting services for the business aviation industry. PRC Aviation and SCANAIR developed TEAMS (Technical Engineering and Maintenance System), a microcomputer software program that manages all aspects of maintenance, engineering, planning and control for all categories of aircraft. TEAMS is being jointly marketed by AMR Training and Consulting Group, SCANAIR and PRC.

- In July 1993, PRC was awarded a five-year, $8 million contract by the Port Hueneme Division of the Naval Surface Warfare Center in Southern California to provide combat and weapons systems engineering functions to the Navy.

- PRC is providing technical expertise and operational support for the U.S. Army's Test and Experimentation Command's network control center and associated telecommunications network in Fort Hood (TX) under a four-year, $6.9 million contract.

Commercial Systems Group:

PRC Realty Systems is the largest provider of computerized multiple listing service (MLS) systems and real estate information in North America. The unit provides network services, processing, integrated systems and database publishing services to the real estate industry.

- Stellar II is an on-line real estate MLS system that allows real estate professionals to enter and retrieve detailed property listing information through a single terminal. Stellar operates on HP 9000 series computers.

- Questra™ software allows users to access their MLS database on Apple's Newton MessagePad or Sharp Wizard.

- Altaira™ for Windows lets users access their MLS database through Microsoft Windows.

- Other products include PowerSystem®, a distributed database; StellarVision, which uses imaging technology to distribute and display photos of houses; BookWorks™, a standalone PC-based in-house MLS book publishing system; and other on-line MLS systems and published books.

- During 1993, PRC introduced a new service providing on-line listings of foreclosed properties through a teaming agreement with Business Information Network of Fort Washington (MD).

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- In 1992, PRC signed its first contract outside the U.S. to provide MLS services in Ottawa (Canada).

- More than 200,000 real estate professionals throughout the U.S. and Canada are served by PRC systems.

PRC Public Sector, Inc. (PSI) develops, installs and supports advanced systems for computer-aided dispatching, mobile data communications, message switching and automatic records management for state and local government.

- Altaris™, introduced in 1993, integrates emergency dispatching; police, fire, jail and other records management; workflow management; and criminal justice information handling into one system. Altaris is an open system that operates on virtually any OSF-compliant UNIX platform.

- Under contract with the city of Portland (OR), PRC is providing a computer-aided dispatch system for police, fire and emergency medical service agencies that serve the city's 600,000 residents. The contract includes advanced technology features such as graphical mapping and mobile data terminals to provide officers in the field immediate access to vital criminal history information.

- PRC is upgrading Fairfax County (VA) computer-aided dispatching with a graphical user interface capability.

- In February 1994, PRC was awarded a $5.1 million contract with the city of Boston (MA) to provide computer-aided dispatching support and customization to Boston police, fire and emergency medical agencies using DEC VAX 4000 computers.

- PRC has installed computer-aided dispatching systems in eight of the ten largest U.S. cities, serving 150 jurisdictions and more than 850 agencies.

PRC Engineering Systems, Inc. (ESI) provides value-added engineering, management information systems and consulting services to public utilities. Specialized services include materials management and procurement engineering services, maintenance and reliability engineering, business process re-engineering consulting and consulting for quality assurance and total quality management programs.

- In January 1994, PRC was awarded three new contracts with a combined value of approximately $9 million over three years to supply upgrades to vendor manuals covering all equipment within the nuclear power plants at Gulf States Utilities' River Bend Station (LA), the Bellefonte Nuclear Plant (AL) and the Donald C. Cook Nuclear Plant (MI).

- PRC provides engineering and consulting services for the Tennessee Valley Authority (TVA) Brown's Ferry and Watts Bar nuclear power plants. Some of ESI's responsibilities include the support of ongoing operations at Brown's Ferry and a vendor manual upgrade program for TVA.

- PRC provides vendor manual support to Arizona Public Services for its Palo Verde Nuclear Generating Station, the largest single nuclear operating facility in the U.S. ESI recently completed a contract to create vendor technical manuals and is currently working under a consulting contract to maintain the manuals.

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- Major work locations are in Lisle (IL), Chattanooga and Spring City (TN) and Litchfield Park (AZ).

PRC Environmental Management, Inc.:

EMI provides environmental engineering and consulting services for domestic and international governments, states, industries and professional service firms. Since its formation in 1984, EMI has grown from a staff of five scientists and engineers to nearly 800 professional support employees.

EMI is providing technical support for the Comprehensive Long-Term Environmental Action Navy (CLEAN) Program, Central Zone under a 10-year, $260 million contract.

EMI has a five-year, $25 million contract by the Department of Interior's Fish and Wildlife Service for hazardous waste analysis and cost assessment support.

Under a 10-year, $212 million contract to the Environmental Protection Agency (EPA), EMI is investigating and cleaning up abandoned hazardous waste sites in EPA's Region 5 (Illinois, Indiana, Ohio, Michigan, Wisconsin and Minnesota).

Under a five-year contract to the Department of Energy, EMI is providing technical support services at a waste processing facility at the Savannah River site in Aiken (SC).

Marketing and Sales

PRC sells its products and services through dedicated direct sales organizations within each of its operating groups units.

Alliances

PRC has various alliances, including the following:

PRC has a strategic partnership with Hewlett-Packard to jointly develop and market open systems solutions for the public safety and criminal justice markets on the HP 9000.

PRC selects the best product and service suppliers to meet the needs of each customer. By adhering to open systems standards, PRC is able to work with a large number of hardware, software and service providers.

PRC's strategic alliances include:

- Hardware—Hewlett-Packard, IBM, DEC Sun
- Software—Oracle, Informix, Sybase, Uniplex
- Network/Communications—Motorola, FTP, Synoptics, Cisco
- Imaging—3M

Competitors

PRC's major competitors, by business unit, are as follows:

FSG Applied Engineering—SAIC, CSC, Lockheed, Boeing

FSG C^4I Systems—SAIC, GTE, Sterling Software, TRW, Martin Marietta, CSC, McDonnell Douglas, Logicon, Vitro, Harris Corporation

FSG Complex Systems Integration—CSC, SAIC, Harris Corporation, TRW

FSG Information Systems—CSC, SAIC

FSG Information Technology—CSC, SAIC

CSG/PRC Realty Systems, Inc.—Boris, Moore, Realtron, AT&T

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CSG/PRC Public Sector, Inc.—Tiburon, OCS SCC, PSSI, SHL Systemhouse, TRW, Unisys

CSG/PRC Engineering Systems, Inc.—Pacific Nuclear, ABB/Impell

PRC Environmental Management, Inc.—SAIC, ICF, Kaiser Engineers, Jacobs Engineering Group, CH2M Hill

INPUT Assessment

PRC's strengths include:

- Providing full lifecycle systems and services
- Applying technological expertise to well-understood businesses
- Significant IT and imaging expertise
- Holding some of the federal government's "hottest" IT contracts
- A total contract backlog of over $2 billion

Challenges include:

- Achieving adjacent market expansion
- Leveraging technical expertise and core competencies (Program Management, Multimedia/Imaging, Software Engineering and Open Systems) across all of the company
- Using successful sales strategies to realize the full value of flexible contracts

Parent Company:

Black & Decker Corporation
701 East Joppa Road
Towson, MD 21286
(410) 716-3900

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PRECISION VISUALS, INC.
6230 Lookout Road
Boulder, CO 80301
Phone: (303) 530-9000
Fax: (303) 530-9329

James R. Warner, Chairman and CEO
Private Corporation
Total Employees: 140 (3/92)
Total Revenue, Fiscal Year End
3/31/92: $18,800,000

The Company

Precision Visuals, Inc., founded in 1980, provides visual data analysis software tools and professional consulting services for engineering and scientific applications to clients across multiple industries.

The company is a Cooperative Marketing Partner with DEC, a Selected Solutions Vendor with Tektronix, an active participant in Sun's Catalyst program for third-party software suppliers, and a participant in similar programs with Hewlett-Packard and Silicon Graphics.

Precision Visuals' fiscal 1992 revenue reached $18.8 million, a 12% increase over fiscal 1991 revenue of $16.8 million. The company has operated profitably in 11 of its 12 years. A three-year revenue summary follows:

PRECISION VISUALS, INC.
THREE-YEAR REVENUE SUMMARY
($ millions)

	FISCAL YEAR		
ITEM	3/92	3/91	3/90
Revenue	$18.8	$16.8	$18.0
· Percent increase (decrease) from previous year	12%	(7%)	N/A

Precision Visuals is organized into the following units:

- The Software Products organization develops and tests Precision Visuals' software products.
- The Marketing organization develops product strategies, plans, and merchandising programs for Precision Visuals' products.

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- The Sales organization sells through direct field and telebased sales representatives and indirectly through value-added resellers (VARs).

- The Customer Support Group consists of specially trained customer support engineers who staff a HelpLine, providing technical assistance to users of Precision Visuals' products.

- The Professional Services Group is responsible for software product training and installation and provides custom consulting services.

- Precision Visuals also operates three wholly owned European subsidiaries in the U.K., Germany, and France.

As of March 1992, Precision Visuals had approximately 140 employees, segmented as follows:

Field sales and technical support	45
Professional services	6
Administration, finance, and marketing	30
Engineering	25
International	34
	140

Major competitors include SAS Institute, UNIRAS, BBN, and Techplot.

Key Products and Services

Approximately 60% of Precision Visuals' revenue is derived from applications software products and 30% from associated support services. The remaining 10% is derived from professional services.

Precision Visuals offers software products for graphics and data analysis applications to engineers, scientists, researchers, programmers, and other professionals. The company has its products installed on approximately 10,000 mainframes, minicomputers, and workstations worldwide.

- Precision Visuals' software products are available for various mainframes, minicomputers, and workstations, including IBM, Convex, DEC, Sun, Hewlett-Packard, Silicon Graphics and compatible systems, and support over 100 different graphic displays, workstation displays, and hardcopy devices.

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- Products are typically sold as node-locked or floating user licenses. Pricing varies depending on the number of users accessing a license.

- A summary of Precision Visuals' current product offerings is shown in the exhibit.

Software support services include the following:

- Many customers purchase installation and training support from the Professional Services Group in addition to annual software maintenance contracts.

- Telephone support is provided by HelpLine engineers in the Customer Support Group.

- On-site support is provided by both field technical support engineers and the Professional Services Group.

In addition to providing software installation and training, Precision Visuals' Professional Services Group also offers custom consulting services. Custom projects include specialized device driver development, file conversion utilities, data base links, and application design and development.

Industry Markets

Precision Visuals derives its revenue from clients in various industries.

Precision Visuals' software products are used by organizations with a need to display and interact with scientific, engineering, or business data. Customers generally fall into one of the five following market segments:

- Large commercial organizations. Examples of industries served include aerospace, oil and gas, manufacturing, communications, and financial services. Applications range from computational fluid dynamics to reservoir modeling, engine design, communication network simulation, and investment portfolio management.

- Government agencies, the Department of Defense (DoD), and government contractors. DoD, NASA, and their contractors use Precision Visuals' software for interactive mapping, displaying aerodynamic test data, satellite monitoring, terrain analysis, and the preparation of presentation materials for high-level briefings.

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EXHIBIT

PRECISION VISUALS SOFTWARE PRODUCTS

PRODUCT	DESCRIPTION
PV-WAVE	Interactive system for visualizing, analyzing, and presenting technical data. Two versions are available: - Command Language for application developers - Point & Click for end users
DI-3000	Graphics tool package consisting of more than 200 Fortran-callable subroutines providing 2D and 3D capabilities
DI-3000 XPM	Graphical data base package for simulation modeling and design of 2D and 3D applications
GRAFMAKER	Data presentation subroutine for DI-3000
Contouring System	Library of subroutines for DI-3000 that define and display contour maps or mesh surfaces from gridded or random 3D data
AddSys-3000	Provides an interface to the Tektronix line of 41xx terminals
TEXTPRO	Set of 24 type faces for publication-ready output directly from a graphics application
GK-2000	Tools package, with extensions, that meets level 2b specification of the graphics kernel system
PicSure and PicSure Plus	Conversational computer graphics systems for designing and producing charts and graphs
Extended Metafile	Standalone, interactive tool for storage, retrieval, manipulation, and transport of graphical images for viewing or hardcopy
CGM/Metafile	A device-independent picture library for image storage, transmission, manipulation, and display

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- Commercial and government research laboratories. Organizations such as Los Alamos Labs, the Max Planck Institute, and Sandia National Labs use Precision Visuals' software to model ground water flows, molecular structures, space physics, and the muscle action of disabled children. Large volume data reduction and display is a common application in fields such as high-energy physics and agricultural hybridization.

- Universities. Over 200 universities use Precision Visuals' software for research projects, university administration, and for teaching engineering, hard sciences, social sciences, and software engineering techniques.

- OEMs. Certain OEMs embed Precision Visuals' software with their applications for rapid prototyping, graphics output, and graphics interaction.

Geographic Markets

Approximately 65% of Precision Visuals' fiscal 1992 revenue was derived from the U.S. and 35% from international sources.

U.S. regional sales offices are located in Wellesley (MA), Solon (OH), and Dunn Loring (VA) (Eastern Region); and Dallas (TX), Palo Alto and Patterson (CA), Chicago (IL) (Western Region).

Precision Visuals International, made up of the company's three European subsidiaries, has offices in London, Frankfurt, and Paris.

Precision Visuals' products are marketed through distributors in Italy, Switzerland, Africa, Asia, and Japan (Nishimen).

Computer Hardware

Corporate computing resources include several DEC VAX superminicomputers; DEC, Sun, HP, and other UNIX-based workstations; IBM and Apple microcomputers; and over 100 graphics displays and hardcopy devices.

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PRECISION VISUALS, INC.
6260 Lookout Road
Boulder, CO 80301
(303) 530-9000

James R. Warner, President and CEO
Private Corporation
Total Employees: 190 (5/89)
Total Revenue, Fiscal Year End
12/31/88: $19,000,000

The Company

Precision Visuals, Inc., founded in 1980, provides graphics software tools and consulting professional services for engineering and scientific applications to clients across industries. The company is a Cooperative Marketing Partner for Scientific Visualization with DEC, a Selected Solutions Vendor with Tektronix, and an active participant in Sun's Catalyst program for third party software suppliers.

Precision Visuals' 1988 revenue reached approximately $19 million, a 9% increase over 1987 revenue of $17.4 million. A three-year revenue summary follows:

PRECISION VISUALS, INC.
THREE-YEAR REVENUE SUMMARY
($ millions)

	FISCAL YEAR		
ITEM	1988	1987	1986
Revenue	$19.0	$17.4	$14.9
• Percent increase from previous year	9%	16%	12%

The company has operated profitably since its inception.

Precision Visuals is organized into the following units:

- The Software Products Group develops, tests, markets and supports Precision Visuals' software products.
- The Professional Services Group, formed in 1986, is responsible for software product training and installation and provides custom consulting services.

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- Precision Visuals International, a wholly owned European subsidiary formed in 1984, markets and supports Precision Visuals' software products in the U.K., Germany, and France.

As of May 1989, Precision Visuals had approximately 190 employees, segmented as follows:

Field sales and technical support	33
Software Products Group	50
Professional Services Group	16
Precision Visuals International	40
Administrative and other	51
	190

Major competitors include Computer Associates, SAS Institute, and SPSS.

Key Products and Services

Approximately 50% of Precision Visuals' revenue is derived from application software products and 25% from associated support services. The remaining 25% is derived from professional services.

Precision Visuals offers software products for graphics and data analysis applications to engineers, scientists, researchers, programmers, and other professionals. The company has its products installed on over 3,000 mainframes, minicomputers, and workstations worldwide.

- The software products are available for various mainframes, minicomputers, and workstations.mainframes, including IBM, Cray, Control Data, Honeywell, DEC, Sun, and compatible systems, and supports over 100 different graphic displays, workstation displays, and hardcopy devices.

- Products are typically sold as a 25-year license. Pricing varies depending on the size, speed, and user capacity of the target computer.

- A summary of Precision Visuals' current product offerings is shown in the exhibit.

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EXHIBIT

PRECISION VISUALS SOFTWARE PRODUCTS

PRODUCT	DESCRIPTION
DI-3000	Graphics tool package consisting of more than 200 Fortran-callable subroutines providing 2D and 3D capabilities
DI-3000 XPM	Graphical data base package for simulation modeling and design of 2D and 3D applications
GRAFMAKER	Data presentation subroutine for DI-3000
Contouring System	Library of subroutines for DI-3000 that define and display contour maps or mesh surfaces from gridded or random 3D data
AddSys-3000	Provides an interface to the Tektronix line of 41xx terminals
TEXTPRO	Set of 24 type faces for publication-ready output directly from a graphics application
GK-2000	Tools package, with extensions, that meets 2b specification level of the graphics kernel system
PicSure	Conversational computer graphics system for designing and producing charts and graphs
PicSure Plus	Interactive menu-driven graphics tools for producing charts
ALL-IN-1/PicSure	PicSure Plus presentation graphics software with interface to DEC's ALL-IN-1 office automation system
Extended Metafile System	Standalone, interactive tool for storage, retrieval, manipulation, and transport of graphical images for viewing or hardcopy
CGM/Metafile	A device-independent picture library for image storage, transmission, manipulation, and display
DRAW	Interactive general-purpose drawing package used to create, revise, and display line art drawings
PV-WAVE	Interactive system for visualizing, analyzing, and presenting technical data

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In January 1989, Precision Visuals announced a September 1989 release date for support of the DECwindows User Interface. The first Precision Visuals software that will use DECwindows are DI-3000, DI-3000 XPM, CGM/Metafile, TEXTPRO, and PV-WAVE.

Software support services include the following:

- Most first-time customers purchase installation and training support from the Professional Services Group.
- Telephone support is provided by HelpLine engineers in the Software Products Group.
- On-site support is provided by both field technical support engineers and the Professional Services Group.

In addition to providing software installation and training, Precision Visuals' Professional Services Group also offers custom consulting services. Custom projects include specialized device driver development, file conversion utilities, data base links, and application design and development.

Industry Markets

Precision Visuals derives its revenue from clients in various industries.

Precision Visuals' software products are used by organizations with a need to display and interact with scientific, engineering, or business data. Customers generally fall into one of the five following market segments:

- Large commercial organizations. Examples of industries served include aerospace, oil and gas, manufacturing, communications, and financial services. Applications range from computational fluid dynamics to reservoir modeling, engine design, communication network simulation, and investment portfolio management.
- Government agencies, the Department of Defense (DoD), and government contractors. DoD, NASA, and their contractors use Precision Visuals' software for interactive mapping, displaying aerodynamic test data, satellite monitoring, terrain analysis, and the preparation of presentation materials for high level briefings.
- Commercial and government research laboratories. Organizations such as Fermi Labs, the Max Planck Institut, and

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Shriners Hospital use Precision Visuals' software to model ground water flows, molecular structures, space physics, and the muscle action of disabled children. Large volume data reduction and display is a common application in fields such as high-energy physics and agricultural hybridization.

- Universities. Over 100 universities use Precision Visuals' software for research projects, university administration, and for teaching engineering, hard sciences, social sciences, and software engineering techniques.

- OEMs. Certain OEMs embed Precision Visuals' software with their applications for rapid prototyping, graphics output, and graphics interaction.

Geographic Markets

Approximately 93% of Precision Visuals' 1988 revenue was derived from the U.S. and 7% from international sources.

U.S. regional sales offices are located in Framingham Centre, MA (Eastern Region), Hudson, OH (Great Lakes Region), Overland Park (KS) (Central Region), and Laguna Hills, CA (Western Region).

Precision Visuals International, the company's European subsidiary, has offices in London, Frankfurt, and Paris.

Precision Visuals' products are marketed through distributors in Japan (Nishiman) and Australia (Techway).

In addition to the direct sales of its own network of salespeople and field engineers, Precision Visuals' software products are also distributed in the U.S. and internationally by various hardware vendors, including Alliant, Concurrent Computing, Control Data, Convex, Gould, Harris, Honeywell, Masscomp, and Modcomp.

Computer Hardware

Corporate computing resources include several DEC VAX and IBM superminicomputers, DEC, Apollo, Sun, and other UNIX-based workstations, IBM and Apple microcomputers, and over 100 graphics displays and hardcopy devices.

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COMPANY BRIEF

Cross Industry: Engineering and Scientific

Precision Visuals, Inc.
6260 Lookout Road
Boulder, CO 80301
(303) 530-9000

CEO: James R. Warner
Private Company
Founded: 1979

Employees: 130 (11/86)
Revenue (FYE 12/31/86): $10,000,000*

The Company: Precision Visuals, Inc. provides graphics software tools for engineering and scientific applications

Sources of Revenue:
- Application Software (100%)

Key Products and Services:
- Application Software (Utilizes most major minicomputers and mainframes, including IBM, DEC, Prime, Honeywell, Control Data, and Cray, and 68000-based microcomputers)
 - DI-3000 is a graphics tool package consisting of more than 200 Fortran-callable subroutines providing 2D/3D capabilities
 - GRAFMAKER is a data presentation subroutine that sits on top of DI-3000
 - Contouring System is a library of subroutines that define and display contour maps or mesh surfaces from gridded or random 3D data
 - ADDSYS-3000 provides an interface to the Tektronix 41XX line of terminals
 - DI-TEXTPRO is a set of 24 type faces for publication-ready output directly from a graphics application
 - GK-2000 is a tools package that meets the level 2b specification of the graphics kernel system and contains powerful extensions
 - PICSURE is a conversational computer graphics system for designing and producing charts and graphs
 - Metafile System is a picture library that allows images by any Precision Visual product to be stored at any time on any graphics device
 - Enter/Act is a user interface management system that allows for quick design, prototyping, testing, and implementation of user interfaces
 - DI-3000 XPM is a graphical data base package for simulation modeling and design application in 2D or 3D
 - PICSURE Plus is an interactive menu-driven graphics tool for producing charts

*INPUT estimate

December 1986

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Target Industries:
- All industries with scientific and engineering applications

Geographic Markets:
- U.S. (95%)
- Non-U.S. (5%)
- Direct sales within the U.S. and from subsidiaries in Germany and England
- Distributors include Nishiman (Japan) and Techway (Australia)

December 1986

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PREMENOS CORP.
1000 Burnett Avenue
Suite 200
Concord, CA 94520
Phone: (510) 602-2000
Fax: (510) 602-2024

Chairman:	Lew Jenkins
President & CEO:	Daniel M. Federman
Status:	Private Corporation
Total Revenue:	$9,000,000*
Fiscal Year End:	12/31/91

*INPUT estimate

Key Points

- Premenos' niche in midrange electronic data interchange (EDI) software products is a solid and growing EDI software market. Midrange platforms are popular in manufacturing, distribution, and transportation companies--three industries that represent core EDI markets.
- In March 1992, building on an historically close relationship, Premenos signed an International Software Marketing Agreement with IBM under which IBM-US and Premenos are jointly marketing Premenos' EDI software products. IBM also announced it would stop marketing its DataInterchange EDI software products, which were originally developed by Premenos.
- In August 1992, it was announced that IBM would also distribute certain Premenos EDI software in 12 European countries and Canada.
- Responding to its international presence and scope, Premenos recently opened a European marketing and support office in Paris.

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Company Description

Premenos currently markets and supports electronic messaging software products for midrange computers, including EDI software for IBM AS/400, RS/6000, System/38, System/36, and HP 9000 systems, and electronic mail software for IBM AS/400 systems.

Company History

Premenos was founded in 1978 as ACS, Inc. In 1986, the company formed Apparelnet, a unit of ACS named after its first product (a software product for the apparel industry). The company's name was changed to ACS Network Systems in March 1987, marking an expansion of its EDI software to other industries.

In February 1990, ACS sold its apparel software product business to Kurt Salmon Associates (NJ) and Microdynamics (TX). This business, which is now called ACS Software Products Group, operates out of Concord (CA).

ACS Network Systems agreed to gradually phase out the ACS name and formed Premenos Corp. as the parent corporation of ACS Network Systems. The company operated as ACS/Premenos until February 1992, when the official name of the company was changed to Premenos Corp.

Major Alliances

In March 1992, Premenos signed an International Software Marketing Agreement with IBM under which IBM-US and Premenos will jointly market Premenos' EDI/400™, EDI/38™, and EDI/36™ EDI data communications and translation software products.

- The agreement calls for Premenos, the original developer of IBM's DataInterchange midrange EDI translation software, to offer its EDI products as part of IBM's Cooperative Services Partnership. Premenos incorporated the features of the IBM programs with its own EDI programs.

- IBM announced it would withdraw from marketing its DataInterchange products. Premenos has offered current licensees of DataInterchange products a no-charge license for the same model of Premenos' EDI products.

- Premenos is providing all maintenance and technical support for the software product line, which is being marketed by Premenos, IBM, and IBM business partners.

In August 1992, Premenos announced that IBM will distribute and support Premenos' EDI translation software for the AS/400 and

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RS/6000 (EDI/400 and EDI/*e*) in 12 European countries and Canada, broadening IBM's position with Premenos.

In addition to its marketing agreements with IBM, Premenos has comarketing relationships with various leading software vendors, including J.D. Edwards, Data 3, and Software 2000.

Financials

INPUT estimates that Premenos' 1991 revenue was about $9 million. It is anticipated that 1992 revenues will exceed $10 million.

Competitors

Premenos' main competitors include Sterling Software, Blue Rainbow Software Internationl, and System Software Associates.

Key Products and Services

Premenos offers data communications and translation software products for EDI applications. The products enable users with prior experience to implement EDI with suppliers or trading partners.

- The software supports all major standards, such as EDIFACT and ANSI X12, and their various subsets.
- EDI/400, EDI/38, and EDI/36 support EDI applications on IBM midrange systems (AS/400, S/38, and S/36, respectively).
- EDI/*e*, released in April 1992, is written for UNIX and makes full use of the client/server environment. The patented, built-in programming language--e--allows users to write custom translation programs in a fraction of the time usually required. The product supports IBM RS/6000 and HP 9000 environments.
- Pricing is as follows:
 - EDI/400: $6,000 to $28,000 (tier pricing based on computer model)
 - EDI/*e*: $10,000 to $60,000 (tier pricing based on the number of document relationships
 - EDI/36: $5,700
 - EDI/38: $9,000
- Premenos provides third-party network communications modules for both public and proprietary networks. Users can purchase modules

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as single units or buy a module that supports all communications protocols.

QMAIL, introduced in early 1992, is an electronic mail product for the IBM AS/400.

- The product was designed with an open systems architecture. Connectivity modules currently in development will support AACP, TCP/IP, Network Support, LAN, and OSI X.400.
- QMAIL is designed to integrate easily with EDI/400.
- The product ranges in price from $1,500 to $10,000, with tier pricing based on the number of users.

Industry Markets

Premenos currently provides its products to more than 2,000 customers in all industries, including apparel, automotive, banking, electronics, health care/medical, government, chemical, petrochemical, transportation, and retail.

Geographic Markets

Approximately 80% of Premenos' 1991 revenue was derived from the U.S. and 20% from international sources.

Premenos has a significant user base in Canada, Europe, South America, and the Pacific Rim.

Premenos offices are in Concord (CA) and Paris (France).

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

December 1996

Premenos Technology Corporation

Chairman and Interim CEO: Lew Jenkins
1000 Burnett Avenue
Concord, CA 94520
Phone: (510) 602-2000
Fax: (510) 602-2024
Internet: http://www.premenos.com



Status:	Public
Employees:	250 (12/96)
Revenue, FYE 12/31/95:	$25,519,000
Revenue, 9 mos. ending 9/30/96:	$22,582,000

Key Points

- Premenos is a leading provider of electronic commerce solutions for established and emerging trading communities.
- In October 1996, Premenos announced the resignation of its president and CEO, Daniel Federman. Mr. Federman, who joined Premenos in 1991 as president and CEO, resigned his position to pursue other opportunities. Lew Jenkins, chairman and cofounder of Premenos, will assume the role of interim CEO pending appointment of a permanent successor.
- In November 1996, Premenos introduced its latest client/server EDI translation product line, EDI/Open Version 3, offering new support for Windows NT. EDI/Open was formerly marketed as EDI/e.
- In July 1996, Premenos added technical expertise in the financial data security area with the acquisition of Prime Factors, Inc.
- In May 1996, Premenos expanded its electronic commerce offerings with the acquisition of Don Valley Technology

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Corporation and its PowerDox forms-based platform.

Company Description

Premenos, founded in 1987, develops, markets, and supports electronic commerce software products and services that enable businesses to engage in business-to-business electronic transactions and communications using electronic data interchange (EDI), e-mail, and other communications software.

By using the company's software, businesses are able to transfer electronic information over proprietary networks or the Internet and other TCP/IP networks.

- Premenos' products are designed to provide timely, accurate, cost-effective and secure electronic transmission between a business and its trading partners, including suppliers, customers, and financial institutions.
- Currently, the company's software applications enable businesses electronically to execute more than 150 types of business transactions, including essential commercial functions such as purchasing, invoicing, shipping, and notification.
- Premenos' EDI translation products include EDI/400 for IBM's AS/400, with more than 3,500 units installed, and EDI/Open for Windows NT and UNIX environments.
- Premenos' Templar is the first deployable encryption and authentication software package to provide secure and reliable business-to-business EDI over the Internet.

In September 1995, Premenos completed an initial pubic offering of approximately 3.65 million shares of its common stock, generating net proceeds of approximately $59.7 million.

Organization and Structure

Premenos' key executives are summarized below:

Premenos Key Executives

Name	Title
Lew Jenkins	Chairman and Interim CEO
David Hildes	Vice Chairman
Beverly Ulbrich	SVP Marketing
Rick Ludlow	SVP Sales
Gerry Diamond	SVP
Ward Wolff	SVP and CFO

Premenos is headquartered in Concord (CA). Additional offices are in Atlanta, Boston, Eugene (OR), Minneapolis, New York, Philadelphia, London, Paris, and Toronto.

Subsidiaries include the following:

- Premenos Canada, based in Toronto
- Prime Factors, Inc., based in Eugene (OR)
- Premenos Europa, S.A., based in Paris
- Premenos U.K., Ltd., based in London

Company Strategy

Premenos' objective is to be a leading provider of software and services that enable businesses to conduct electronic commerce transactions over proprietary networks or the Internet and other TCP/IP networks.

Premenos is focusing its corporate strategy, including management and resource allocation, on leading the business-to-business electronic commerce market. The company is committed to remaining a leader of EDI software and services for the midrange computer market and to leverage that position as it emphasizes emerging electronic

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commerce markets. Premenos intends to maintain this leadership by:

- Continuing to release upgraded versions of existing products with additional functions and features
- Developing complementary products, such as network communications modules
- Enabling more businesses to trade with each other over ubiquitous, open networks
- Moving further into the client/server arena
- Acquiring businesses and products that complement or enhance current offerings, as evidenced by the acquisitions of Don Valley's forms-based technology and Prime Factors with its expertise in financial transaction security

Premenos also intends to leverage its leadership position in the midrange EDI market to replace customer dependence on high-cost proprietary networks with the Templar open systems software solution. Premenos intends to:

- Use its detailed knowledge of EDI to replicate in software the functionality of proprietary networks
- Promote open system architectures through standard groups, product positioning, and solutions for interconnectivity, while continuing to maintain compatibility with significant proprietary systems

EDI market penetration is typically driven by a hub organization with the market influence to persuade its trading partners to use EDI as a condition of transacting business with the hub.

- Acceptance of Premenos' EDI products by hubs has been a significant factor in the company's EDI market penetration.
- Premenos believes that acceptance by hubs will similarly drive Templar sales.
- For all its products, Premenos intends to continue fostering relationships with hub organizations.

Premenos intends to build sales through its direct sales force and through increased emphasis on third-party distribution channels, and also plans to pursue relationships and alliances with providers of complementary and related products and services.

Financials

Premenos' 1995 revenue reached $25.5 million, a 28% increase over 1994 revenue of $20.0 million. Net income was $1.5 million in 1995, down from $1.8 million in 1994.

A five-year financial summary and a three-year source of revenue summary are shown on the following page.

Premenos' spending on product development and sales and marketing increased as a percentage of revenue during 1995 due to new EDI translation software product releases and the launch of Templar.

- Product development expenses, net of capitalized software development costs, were $7.0 million (28% of revenue) in 1995, $4.7 million (23% of revenue) in 1994, and $3.6 million (27% of revenue) in 1993.
- Sales and marketing expenses were $8.5 million (33% of revenue) in 1995, $5.8 million (29% of revenue) in 1994, and $4.2 million (32% of revenue) in 1993.

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Premenos Technology Corporation
Five-Year Financial Summary
($ Thousands, except per-share data)

	Fiscal Year				
Item	1995	1994	1993	1992	1991
Revenue	$25,519	$20,005	$13,066	$10,357	$6,093
• Percent change from previous year	28%	53%	26%	70%	5%
Income (loss) before taxes	$1,715	$2,770	$219	$(73)	$(207)
• Percent change from previous year	(38%)	*	400%	65%	36%
Net income (loss)	$1,497	$1,815	$143	$(73)	$(276)
• Percent change from previous year	(18%0	*	296%	74%	(36%)
Earnings (loss) per share	$0.16	$0.28	$0.03	$(0.01)	(0.03)
• Percent change from previous year	(43%)	833%	400%	67%	--

* *Percent change exceeds 1,000%.*

Premenos Technology Corporation
Three-Year Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1995		1994		1993	
Product/Service	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
Software licenses	$17.8	70%	$13.3	66%	$9.0	69%
Services						
- Maintenance	6.7	28%	5.0	25%	3.3	25%
- Other (a)	1.0	2%	1.7	9%	0.8	6%
Total	$25.5	100%	$20.0	100%	$13.1	100%

(a) Includes training, support, and contract services.

Revenue from software license fees and royalties increased 34% during 1995 due to increased market acceptance of EDI technology and Premenos' products, hardware system upgrades of existing customers, and expansion of the company's sales and marketing organizations. In addition, Premenos has international marketing agreements with IBM and other third-party distributors that have increased license royalty payments on the distribution of Premenos' products outside of North America.

Revenue from services increased 16% during 1995, due primarily to increased licensing activity.

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Interim Results

Revenue for the nine months ending September 30, 1996 reached nearly $22.6 million, a 34% increase over $16.8 million for the same period in 1995.

- Net losses for the period were $3.5 million and include acquisition-related costs of $4.7 million. Excluding these charges, net income was $1.17 million, compared to $5,000 for the same period a year ago.
- Services revenue increased 60% to $8.5 million due to an expanded installed base, particularly EDI/400.
- Templar license revenues were affected by a slower than anticipated adoption rate of the technology.

Market Financials

Premenos derives its revenue primarily from trading partners involved in the retail and transportation markets.

The company also has clients in computers and software, food and beverage, automotive, publishing, entertainment, energy and chemicals, health care, insurance, banking and finance, building and hardware, apparel, aerospace, paper, and government.

Geographic Markets

Approximately 90% of Premenos' 1995 revenue was derived from the U.S. and 10% from international sources.

A three-year geographic source of revenue summary follows:

Premenos Technology Corporation
Three-Year Geographic Source of Revenue Summary
($ Millions)

	Fiscal Year					
	1995		1994		1993	
Geographic Market	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
U.S.	$22.9	90%	$18.3	92%	$11.9	91%
International	2.6	10%	1.7	8%	1.2	9%
Total	$25.5	100%	$20.0	100%	$13.1	100%

Acquisitions

In July 1996, Premenos acquired Prime Factors, Inc. of Eugene (OR). Terms of the acquisition were not disclosed.

- Prime Factors, founded in 1981, provides financial data security products for PC, midrange, and mainframe platforms. Its Information Security division specializes in data encryption and key management systems for financial and commercial institutions. The Data Compression division works closely with the Information Security division to provide solutions that reduce telecommunications and storage costs.
- Prime Factors' clients include Citibank, Chase Manhattan Bank, Bank of America, Visa International, MasterCard International, Novus, Exxon, Mobile Oil

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Company, Shell Oil Company, and Goldman Sachs & Company.

- The acquisition positions Premenos to deliver end-to-end electronic commerce solutions, from electronic data to electronic money.

- Prime Factors now operates as a subsidiary of Premenos.

In May 1996, Premenos acquired Don Valley Technology Corporation of Toronto (Canada). Terms of the acquisition were not disclosed.

- Don Valley provides PowerDox, a simple-to-use, forms-based platform for MVS, PC for Windows, and Windows NT that enables customers to trade any kind of business document such as purchase orders, invoices, and advance ship notices.

- Don Valley has a customer base of more than 600, including Canadian companies such as Biway Stores Limited, Canadian Tire Corporation, IBM Canada, The Hudson's Bay Company, and T. Eaton Co.

- The acquisition positions Premenos to take advantage of a market of more than 3.5 million small businesses that need to conduct trade electronically.

- The expertise of Don Valley also will speed up the development of WebEDI, a Premenos product in early development that will allow users to deploy EDI through a Web browser.

Employees

As of February 29, 1996, Premenos had 193 employees, segmented as follows:

Marketing	7
Domestic sales	39
International sales	3
Customer support	45
Product development	77
Finance and administration	22
	193

The company currently has approximately 250 employees.

Key Products and Services

EDI Translators

EDI/400, the company's leading product, was released in 1988.

- EDI/400 is designed for IBM AS/400 computers. Its primary function is to translate a business' internal formats to the major EDI standards, and from the major EDI standards to a business' internal formats. EDI/400 then processes those standards in a manner that enables them to be transmitted over standard communications networks.

- EDI/400 is based on a table-driven design that supports all of the recognized EDI standards offered by both ANSI and UN/EDIFACT.

- EDI/400 also includes ancillary functions to manage the EDI process for the host computer in the areas of mailboxing, audit trails, network communications, compliance, and similar functions.

- In September 1995, Premenos made generally available a new release of EDI/400 that includes a PremeView graphical user interface front end.

- EDI/400 is generally made available on a single-computer license basis for a one-time license fee generally ranging from $7,500 to $53,000, depending on the computer model

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on which the product is authorized to operate, plus additional fees for any optional features included. Multiple-computer licenses and enterprise licenses are also available.

EDI/Open (formerly marketed as EDI/e) is a client/server EDI translation product for Windows NT and UNIX environments.

- EDI/Open's mailbox provides real-time transaction information and individual document status. Documents can be sorted by trading partner, document type, status, date, time, or user-defined data. The software also includes a commercial relational database management system to manage and store trading partner configurations, EDI standards, and document tracking information. The system includes a run-time version of Sybase, or users can implement Oracle7 or Microsoft SQL Server.

- EDI/Open incorporates a true client/server architecture—a graphical client running a variety of workstations, connected directly or remotely to a UNIX or NT server. The three primary information processing elements, user interface, application logic, and database are distributed to take full advantage of each platform.

- EDI/Open runs on IBM RS/6000, HP 9000, Sun SPARC, and Windows NT platforms. The Windows client runs on Windows 95 and NT workstations. Its interfaces provide integration to applications from SAP, Oracle, Baan, Computer Associates, and PeopleSoft. It supports all versions of ANSI X12 and EDIFACT standards plus its subsets.

- EDI/Open for Windows NT server is generally available and the UNIX server version will ship in January 1997. Pricing for both server versions starts at $10,000 in the U.S. Additional Windows clients are available for $500 each.

- For users who need to modify standards according to trading partner requirements, a Premenos Standards Modification Tool is also available. The tool will ship in December 1996 and is priced at $3,000.

Templar

Templar is a set of standards-based software, service, and network solutions that allows business customers to engage in electronic commerce transactions over the Internet and other TCP/IP networks by facilitating the exchange of secure, digitally signed electronic documents, including EDI documents.

- Templar supplies security for message transmissions by using public key cryptography techniques licensed from RSA and by implementing security and confidentiality features at the software application level.

- Templar generates a digital signature for each outbound message that verifies the identity of the sender and automatically detects any alteration of the message upon receipt.

- Templar automatically tracks message traffic and message integrity and authenticity and provides user-configurable management reports. It also maintains transmission records for audit trails.

- Premenos has positioned Templar as a relatively low-cost, flat-rate alternative to current electronic commerce solutions.

- The current U.S. suggested retail price of the Templar server software product for the UNIX platform is a one-time license fee of $5,990. Additional client modules for those

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platforms are priced at $99. Windows 95 and Windows 3.1 version of the Templar product are priced at $449 per copy.

- Templar 2.0, released in July 1996, improves interoperability for large trading hub implementations through new transport options including a Web interface, TCP direct connection, and a file transfer interface, in addition to SMTP transport. The release also features a new message tracking system, expanded database management facilities, and a new graphical user interface.

In December 1996, Premenos announced Templar PowerDox and Templar WebDox, extending its electronic commerce solutions to small and medium-sized enterprises.

- Deployed over value-added networks or the Web, respectively, both products make EDI transparent to end users via an intuitive electronic-forms interface, provide local storage and application integration, and EC-enable trading partners for less than $300 each.

- Templar PowerDox, comprised of Central and Remote components, lets a purchasing company distribute electronic-forms applications to its trading partners and automates trading partner administration. At the trading partner's desktop, PowerDox Remote displays an intuitive form representing transaction information that can be integrated and stored locally, as well as transmitted to the purchasing company. PowerDox documents are transmitted between a company and its trading partners via value-added networks. IBM Advantis and AT&T value-added networks have agreements with Premenos to support PowerDox forms over their systems. PowerDox is available on MVS and Windows NT platforms.

- Templar WebDox uses the same component architecture as Templar PowerDox, but adds connectivity via the Web for Internet, intranet, and extranet computing.

Prime Factors Products

Prime Factors, Inc., acquired in July 1996, provides software products that secure financial transactions—electronic funds transfer, EDI, and ATMs—for banks, security firms, and companies requiring encryption of financial data.

Prime Factors' products include the following:

- DESCRYPT/EDI+ is a complete security solution for X12 EDI formats. This product is compliant with the key management standard ANSI X12.42 and adheres to the encryption and authentication standards dictated by ANSI X12.58. This product is interoperable among IBM PC, AS/400, and RS/6000 computers and MVS mainframes.

- PSYPHER/EDI+ is a software security system for a variety of business EDI needs. This product is designed for ease of use and "drop in and run" capabilities. It provides both DES encryption and ANSI X9.9 authentication of any sequential file. It is fully compatible with Prime Factors' DESCRYPT/EDI+.

- FDESMAC+ is a software security system for compliance with ANSI X9.9 for financial institution message authentication on multiple platforms and applications. This solution authenticates EDI payments/remittances, purchase orders, invoices, and other business transactions. The product is used extensively in authentication of electronic funds transfers, such as ACH, IMT, and letters of credit.

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- DESCRYPT+ is a set of APIs that DES-encrypts any data or communications, either on line or off line.

- COMPACT/EDI greatly reduces the communications and storage costs of EDI and other file types and transactions using compression algorithms. File transfer times and storage amounts are typically reduced 50% to 80%. It may be integrated into any applications-level program and is available in turnkey executable forms.

- PIN Management System is the software security module for PIN security and DES key and credit card fraud prevention. The system is used to protect user identifications in retail EFT information systems like VISA, MasterCard, and other national and international ATM sharing networks.

Customer Support

Premenos' products are supported by a service and support staff with expertise in AS/400 and UNIX EDI software, open systems, and open networks.

- Telephone support is provided from 6 a.m. to 6 p.m. Pacific Time and pager support is available on a 24-hour-per-day, 365-day-per-year basis.

- Through its support center in Paris and its main center in Concord, the company generally offers support for international customers via toll-free support numbers.

- Customers with maintenance contracts receive telephone support service, software updates, and bug fixes.

- Premenos allows its customers and users to access support services by telephone, electronic mail, and World Wide Web access through the Internet.

Clients

Premenos has a client base of more than 6,000.

Select EDI customers of Premenos are listed in the exhibit on the following page.

Templar clients include The Chase Manhattan Bank, Diamond Shamrock, AT&T, Kleinschmidt, Mellon Bank, and Bell Atlantic.

Marketing and Sales

Premenos markets its products through two principal channels—direct sales and distributors and comarketers.

Direct Sales—Approximately 85% of Premenos' sales are generated by its direct sales force, which uses a combined approach of telephone selling, cultivation of relationships with key hub customers, and personal presentations for significant volume sales. Hub customers—those with the market ability to influence their trading partners—provide access to their customers and suppliers, which Premenos then targets for sales calls.

Distributors and Comarketers—Premenos has distribution and comarketing agreements with a number of software marketing and distribution companies, value-added resellers, and hardware and network vendors worldwide.

- Premenos also has relationships with software vendors that bundle or embed Premenos' products with their own products, or that resell Premenos' products in particular trading communities.

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Exhibit
Select EDI Customers

Industry/Client	Industry/Client	Industry/Client
Computers and Software	**Entertainment**	**Apparel**
Comp USA Inc.	Blockbuster Entertainment Group	Britannia Sportswear, Ltd.
IBM	MTV Networks	Calvin Klein Inc.
Microsoft	Nintendo of America	Hickey-Freeman Co.
Toshiba America Electronic Components, Inc.	Sega of America, Inc.	Polo Clothing Co., Inc.
Food & Beverage	**Energy & Chemicals**	**Transportation**
Bumble Bee Seafoods Inc.	ARCO	American President Companies
Pepsi-Cola Bottling Co.	Chevron Research and Technology	Loomis Armored Inc.
Slim Fast Foods Company	Mobil Corporation	Swift Transportation Co. Inc.
The Coca-Cola Company	Schlumberger Technologies	United Parcel Service of America
Retail	**Health Care**	**Aerospace**
Price/Costco Inc.	Abbott Laboratories	Amphenol Aerospace
Proctor & Gamble Co.	Amgen Inc.	Fansteel, Inc./Wellman Dynamics
Sports Authority Inc.	Bausch & Lomb Incorporated	Lockheed IMS
Toys 'R' Us Inc.	Ciba Geigy Corp.	Pall Aeropower Corp.
Automotive	**Insurance**	**Paper**
ITT Automotive, Inc.	American Bankers Insurance Group, Inc.	Caraustar Industries, Inc.
Mitsubishi Heavy Industries, Ltd.	American Medical Security Inc.	James River Corp. of Virginia
Penske Truck Leasing Co., L.P.	Central Reserve Life Corp.	Potlatch Corp.
Ryder Truck Rental, Inc.	HRM Claim Management Inc.	Stream International Inc.
Publishing	**Building & Hardware**	**Government**
Banta Corporation	American Standard Inc.	Australian Taxation Office
Golden-Lee Books Distributors Inc.	Baldwin Hardware Corporation	NASA
Publishers Resources Inc.	Master Lock Company	
Stream International Inc.	Westinghouse Electric Corp.	

- Distributors typically sublicense Premenos software to end-user customers and pay Premenos a royalty. Comarketers typically forward leads to Premenos in exchange for a percentage referral fee if the sale is completed.

- Premenos' largest distributor is IBM and various IBM affiliates worldwide, which collectively account for approximately 10% of Premenos' software license revenue.

Alliances

Premenos has various strategic partnerships with a range of vendors, including the following:

- Application software vendors—Baan, Computer Associates, Jay & Wolcott, JBA

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International, J.D. Edwards, Lawson, Marcam, Oracle, PeopleSoft, SAP, Software 2000

- Platform partners—Digital, IBM, Sun, Hewlett-Packard

- Strategic partners—Andersen Consulting, AT&T, Advantis, CommerceNet, Coopers & Lybrand, Deloitte & Touche, Dun & Bradstreet, Price Waterhouse, TSI, Open Market, RSA

Agreements announced in 1996 include the following:

- In July 1996, Premenos announced plans to develop its electronic commerce security, authentication, and EDI technology into an Electronic Commerce DataBlade for INFORMIX-Universal Server. The Premenos Electronic DataBlade will automate the management and exchange of commerce information while ensuring the integrity and confidentiality of business-to-business transactions.

- In June 1996, Premenos and PeopleSoft announced an alliance to integrate PeopleSoft's client/server applications with Premenos' EDI/Open, EDI/400, and Templar EDI solutions.

- In April 1996, Premenos and VeriSign announced a strategic alliance to facilitate Open EDI over the Internet. This alliance will provide companies or associations with digital certificates to prove that they are who they say they are. Digital IDs issued by VeriSign provide proof of identity so that EDI users don't need a pre-established trading partner agreement in order to do business.

- In April 1996, Premenos and TSI International announced a distribution agreement for Templar for Windows. TSI is bundling and distributing Templar for Windows with its Trading Partner PC high-performance EDI translation and mapping product.

- In March 1996, Premenos and Open Market, Inc. announced an OEM agreement to enable secure business transactions over the Internet. Open Market is integrating Premenos' EDI/e V2 UNIX translation software and the secure Internet EDI solution Templar into Open Market's OM-Transact, a complete back-office infrastructure for secure Internet commerce. This integrated solution allows corporations to use OM-Transact to manage business-to-business transactions over the Internet while leveraging legacy back-office systems.

- In March 1996, Premenos and Baan Company formed a strategic alliance whereby Premenos' EDI/Open UNIX translation software and the Templar secure Internet EDI authentication agent will be incorporated into Baan enterprise-wide applications. In cooperation with Premenos, Baan will offer customizable EDI solutions to its clients. Premenos is a member of Baan's Software Partners Program.

- In March 1996, Premenos announced it was the first EDI software vendor with a certified interface to SAP's R/3 3.0 application suite for both UNIX and AS/400 platforms.

Competition

Premenos' primary competitor for EDI translation software is Sterling Commerce.

Templar's current competition is value-added network operators providing more traditional and proven modes of conducting electronic commerce.

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Assessment

Unlike electronic commerce newcomers and proprietary EDI vendors, Premenos has 18 years of electronic trading experience combined with Internet innovation and strong customer support. Additional strengths include a market-share-leading midrange EDI translator (EDI/400) and EDI/Open for NT, the company's fast-growing network operating system.

Two critical issues must be addressed before Internet commerce can reach critical mass:

- The first is the adoption of open technology standards by vendors and customers alike. Currently, there are 20+ proposals for Internet commerce standards. At best they are complementary, yet many conflict. Until the industry can agree on which standards will prevail, the market will continue its slow migration to Internet commerce, rather than beginning immediately to reap the benefits of increased trading cycles and competitive advantage.

- The second inhibitor to Internet commerce adoption is a lack of infrastructure—what Premenos calls a "trust model." In face-to-face credit card transactions, the merchant swipes the credit card through a point-of-sale machine networked to databases that verify account and credit limits. The merchant looks at the customer's signature on the back of the credit card to verify identity. At each point of this transaction, the customer, the merchant, and the bank have agreed who assumes liability.

A trust model like this does not exist for electronic commerce. Discussion and framework proposals abound among certification authorities. Organizations such as the U.S. Postal Service and companies like VeriSign are leading the way to building an infrastructure that clearly delineates who will verify identities, hold liability, and authenticate transactions in an electronic marketplace.

Premenos, for its part, is involved with all the EDI and Internet standards groups and consortia trying to hammer out solutions to these issues.

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program

March 1998

Price Waterhouse

CEO **James J. Schiro**
Managing Partner, Global Management Consulting Services: **Scott Hartz**
1177 Avenue of the Americas
New York, NY 10036
Phone: **(212) 596-7000**
Fax: **(212) 596-8910**
Internet: **http://www.pw.com**

Status:	Partnership
Employees:	60,000
Worldwide Revenue:	$5,630,000,000
Worldwide Consulting Revenue	$1,860,000,000
Fiscal Year End:	6/30/97

Key Points

- In 1997 Price Waterhouse announced plans to merge with Coopers & Lybrand. The merger will create the world's largest business advisory and consulting firm.
- In October 1997, signed a letter of intent with Philips Electronics N.V. to acquire a minority interest in Origin B.V., building on a strategic alliance that jointly markets and delivers third party software, systems integration, and management consulting services worldwide.
- Price Waterhouse has cited the ability to better serve global companies as a prime factor compelling the merger with Coopers & Lybrand and the alliance with Origin.

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Price Waterhouse is positioning itself to serve global companies, often in rapidly consolidating industries, as they consolidate and expand to emerging market areas.

- Nearly 40,000 consultants worldwide are within the Price Waterhouse, Coopers & Lybrand and Origin organizations. Origin, based in the Netherlands, specializes in enterprise resource planning implementation.

- Price Waterhouse was active in acquisitions and joint ventures in 1997. Price Waterhouse acquired LVS, a systems integrator in Russia; acquired Peter Matthiesen, a supplier of supply chain management services in Denmark; acquired a majority stake in Business & Décision, a Paris-based data warehousing firm, and formed a joint venture with the Consulting Software Group in Korea.

- Price Waterhouse created a global Business Process Outsourcing practice in 1997. The practice reported earning contracts with a combined value of over $300 million dollars.

Company Description

Price Waterhouse is one of the world's largest international organizations of accountants and consultants.

- Founded in 1849, Price Waterhouse is a global tax, audit, and consulting firm that offers management, financial, and information technology consulting services for businesses, government agencies, and nonprofit organizations.

- The U.S. firm, Price Waterhouse LLP, was founded in 1890 with the opening of Price Waterhouse's first U.S. office. The U.S. partnership provides management, financial, and information technology consulting services for businesses and government agencies in the U.S.

- The majority of Price Waterhouse's information services activities fall within the MCS organization. These services include systems integration, professional services, and application software.

Organization and Structure

Price Waterhouse, headquartered in New York (NY), comprises a network of 27 firms worldwide, and employs more than 60,000 people through offices in 119 countries and territories.

Price Waterhouse has combined the Technology Knowledge Organization and the U.S.-based Systems Integration Group into the Global Systems Solutions Center (GSSC). Researching and reporting on emerging technologies, the GSSC has oversight for a software procurement reselling service, maintenance of vendor relationships, technical support for systems integration and data warehousing, and the Advanced Software Engineering Centers.

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Price Waterhouse has eight Advanced Software Engineering Centers in the U.S. and Europe that advise clients on client/server computing and technology architecture.

Structure by Industry/Service Lines

The Price Waterhouse firms structure service delivery around key industries and service lines.

- Key strategic industry groups include:
 - Financial Services
 - Energy
 - Entertainment, Media, and Communications (EMC)
 - Technology
 - Products
 - Other industries the company serves are aerospace, government, defense, legal, managed health care, and railroads.
 - Each industry group consists of a team of partners and managers with a background in that specific industry. Teams are formed with other industry consultants, providing expertise in all areas required by the specific project.
- Price Waterhouse's key service lines include:
 - Management Consulting Services (MCS)
 - Audit and Business Advisory Services (ABS)
 - Tax and Legal Services
 - Corporate Finance, Recovery and Disputes (CFRD) services
 - Business Processs Outsourcing services

Geographic Organization

With the exception of the Management Consulting Services (MCS) organization, which is organized by national business, the Price Waterhouse worldwide organization is divided into four geographic areas:

- The Americas—Canada and the U.S.
- Africa and the Middle East
- Asia and the Pacific
- Europe and the former Soviet Union

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Price Waterhouse LLP, representing the U.S. operations of Price Waterhouse, is headquartered in New York (NY).

- It has 106 offices located throughout the U.S. Major offices are located in New York (NY), Chicago (IL), Philadelphia (PA), Los Angeles and San Francisco (CA), Dallas and Houston (TX), and Boston (MA).

- Price Waterhouse LLP is headed by Chairman and Senior Partner-Elect James J. Schiro.

The MCS organization is organized by national business.

- The MCS group has a three-dimensional matrixed organizational structure based on industry, service domain, and business process.

 - Two broad service domains include Change Integration® and information technology.

 - Business processes include financial and cost management, supply chain management, and industry-specific processes.

The Price Waterhouse World Technology Centre in Menlo Park (CA), a unit of the Price Waterhouse worldwide organization, provides consulting and research on technology companies, industries, and markets to Price Waterhouse partners and staff and their clients.

Company Strategy

Price Waterhouse's capabilities strategy is to provide solutions across geographic and cultural boundaries that meet the timely requirements of clients and build value, manage risk and improve performance.

Price Waterhouse's service strategy is based on the use of experienced and knowledgeable consultants and dedicated project management and design tools.

The firm's project strategy uses a team approach. Price Waterhouse provides industry expertise in several targeted industry markets, including industry-specific applications.

Price Waterhouse's MCS consultants have expertise in at least two areas: for example, expertise in a specific industry as well as expertise in systems integration. Teams are formed to provide expertise in all areas required by the customer for a particular engagement.

The MCS group has developed a Systems Management Methodology (SMM), which acts as a guideline for all of the company's systems development and implementation projects. The methodology works for both package and custom software projects.

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Financials

Price Waterhouse's total worldwide revenue for fiscal 1997 was approximately $5.63 billion, an increase of nearly 12% over fiscal 1996.

- Management attributes the largest component of revenue growth to increased demand for management consulting services, which reported 24 percent revenue growth over fiscal 1996.

- Revenues is emerging markets exhibited strong growth. In 1997, revenues grew 68 percent in China, 60 percent in India, 29 percent in Mexico, 28 percent in Eastern Europe, 22 percent in Venezuela, 22 percent in Thailand, 20 percent in Malaysia, and 20 percent in Taiwan.

- In the United States, double digit revenue growth was reported for each of Price Waterhouse's major service lines and market sector practices. Management consulting services posted revenues of $856.8 million for fiscal 1997, an increase of 24%.

Acquisitions and Partnerships

In January 1998, Price Waterhouse LLP and Information Engineering Incorporated, a software development firm, formed Information Engineering LLP, to offer global client/server technology solutions to the insurance industry.

In December 1997, Price Waterhouse agreed to acquire a majority stake in Business & Décision, a Paris-based firm that specializes in data warehousing. The acquired firm had 1997 sales of $5.7 million.

Effective July 1, 1997, Price Waterhouse acquired Peter Matthiesen A/S, a supplier of supply chain management services in Denmark. The new practice, Price Waterhouse/Peter Matthiesen employs a total of 180 consultants.

Price Waterhouse formed a joint venture in February 1997 with the Consulting Software Group (CSG) of Korea, The new firm, with approximately 140 consultants, operates under the name Price Waterhouse CSG.

In January 1997, Price Waterhouse acquired LVS, a systems integrator in Russia, and created LVS/Price Waterhouse Business Solutions.

Employees

Price Waterhouse has approximately 60,000 employees worldwide.

Management Consultancy Services employs 10,000 worldwide.

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Key Products and Services

Industry Groups

Price Waterhouse provides a range of financial management, strategic, and information technology consulting services. Major information service offerings across industry groups are as follows:

- *Financial Services*—This industry practice provides a wide range of audit, accounting, tax, regulatory, and management consulting services for banking, investment management, insurance, managed healthcare, securities, and real estate organizations.

 - The Financial and Cost Management Services group assists clients to manage change and implement financial systems by assisting in Business Process Transformation℠ and in the evaluation, selection, implementation, and customization of third-party application software.

 This group also helps clients analyze, develop, and implement cost-management systems, including Price Waterhouse's proprietary activity-based costing product, ACTIVA℠.

 - The Electronic Financial Services (EFS) Consulting group provides advisory services to large financial institutions starting, expanding, or refocusing electronic banking initiatives with individual and business customers.

 - The Corporate Finance Group assists corporations, financial investors and lenders to identify prospective acquisition and divestiture candidates and provide services associated with mergers, acquisitions, joint ventures, and strategic alliances.

- *Energy*—The World Energy Group provides accounting, business advisory, auditing, tax planning and compliance, operational and financial information technology, and systems implementation services to clients in the oil, natural gas, chemicals, independent power, mining and utility industries.

- *Global Entertainment, Media, and Communications Group (EMC)*—This group provides consulting for entertainment, media, wireless and communications companies. Price Waterhouse has more than 1,000 consultants worldwide in EMC addressing the convergence of the entertainment, media and communications industries.

- *Technology Industry Group*—This group provides a range of audit, business advisory, tax planning and compliance, and management consulting services to clients in six major industry segments:

 - Semiconductors
 - Software
 - Computers and peripherals

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- Life sciences
- Networking and communications
- Other—aerospace, photographic, multimedia, Internet, and other technology sectors

- *Products Industry Services*— provides professional services, primarily regarding supply chain issues, to product companies.
 - The Products Group's ABS and Tax consultants provide cost management, financial analysis, business assurance, globalization, and risk management services.
 - The Products IT group has a center of excellence providing reference materials and a dedicated staff to monitor new supply chain management applications and major enhancements to existing products.
 - The Advanced Systems Engineering and Development Tools group analyzes information technology needs related to the use of advanced development tools, techniques, and methodologies.
- *Government*—Price Waterhouse's Office of Government Services provides consulting services to improve the service delivery, operations, and management of public sector organizations at the federal, state, local, and international levels.

MCS Services

Business Process Transformation

- Market and customer management
- Financial and cost management
- Supply chain management
- Human resource management

Change Integration® Practice

- Price Waterhouse's proprietary methodology advocates that organizations maximize business performance by focusing on strategic change, organizational change and process change. The methodology subdivides its change 'levers' as follows:
 - Strategic change: customers & markets, products & services
 - Organizational change: structure, people & culture
 - Process change: business process, systems technology

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Information Technology Consulting

- IT planning and assessment—The Information Technology Services group uses the PW Systems Management Methodology (SMM), a proprietary, structured IT approach, to plan, develop, and implement strategic information systems.
- Systems integration
- Packaged systems solutions and systems integration—SAP, Baan, Oracle, and PeopleSoft.
- The Global Data Warehousing Practice offers comprehensive data warehousing, data mining, and knowledge management services

Knowledge Management Consulting

Consulting in this area is aimed at enhancing organizational performance through the location, harvesting and sharing of information knowledge. Price Waterhouse has developed a proprietary methodology, Knowledge3, and a system, KnowledgeView, for organizing corporate knowledge. A business process classification system developed at Price Waterhouse, the International Business Language, assists the knowledge management process.

Related Service Lines

Audit and Business Advisory Services (ABS)— Price Waterhouse LLP's ABS group provides attest and related service as well as a range of business advisory services:

- Accounting and Audit-Related Services, including accounting and reporting systems design and implementation, and licensing of proprietary audit and accounting computer software
- Financing-Related Services
- Joint Ventures, Mergers and Acquisitions, and Reorganization Services
- Operational Reviews
- Regulatory Advisory Services
- Business Risk Management

Business Process Outsourcing

Outsourcing of finance and accounting, internal audit, tax compliance, applications process, procurement/sourcing, customer management, supply chain, human resources, and real estate management support functions.

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Corporate Finance Services—Corporate Finance professionals assist, advise, and support corporations, financial investors, and lenders throughout their transactions, including identifying appropriate acquisition, divestiture, and merger/strategic alliance candidates; assisting with negotiations and post-transaction services; structuring tax-effective deals; and providing due diligence services.

Tax and Legal Services—Price Waterhouse's Tax and Legal Services group provides planning and compliance offerings in the areas of federal, state and local, and international tax:

- Tax strategy, planning, and compliance
- Tax research, monitoring, and reporting
- Development and implementation of proprietary software that automates tax planning, accounting, and compliance

Clients

A sampling of Price Waterhouse's clients worldwide include:

AT&T, Amoco, British Petroleum, Disney, Gillette, Guinness, Pennzoil, Philip Morris, Proctor & Gamble, Shell, Samsung Motors, and Volvo.

The majority of Price Waterhouse LLP's clients are Fortune 500 and Fortune Service 500 multinationals that are based in the U.S.

Marketing and Sales

Price Waterhouse maintains dedicated sales and marketing personnel, In addition, Price Waterhouse partners devote a portion of their time to business development, with the percentage of time spent on selling generally increasing with the individual's position or level within the firm.

The organization's primary sources of leads are through existing client references and vendor alliances.

Alliances

Price Waterhouse has alliances with a number of leading companies, including Commerce One, Digital Equipment Corporation, Origin, SAP, Siebel Systems and SmartPatents.

Competition

Major competitors include Andersen Consulting, CAP GEMINI America, Digital Equipment Corporation, Deloitte & Touche, EDS, Ernst & Young, IBM, and KPMG.

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Assessment

Price Waterhouse considers its strengths to include:

- Global focus with local delivery capabilities
- Multidimensional focus
- Specialization through focus
- Retention of key staff

Challenges facing the company in the coming year include:

- Utilizing the market reach and complementary skills of Coopers & Lybrand into the post-merger organization
- Successfully completing acquisitions
- Growing the Business Process Outsourcing practice into new industries and practice areas
- Maintaining high growth in international markets

INPUT feels that Price Waterhouse is well prepared for the merger with Coopers & Lybrand. Price Waterhouse sees the merger as an expansion, and improvement, of their capabilities worldwide. The merged entity of Price Waterhouse and Coopers & Lybrand will maintain a commanding share of the tax and audit business and will be increasingly attractive for large-scale information technology projects, thereby realizing the stated promise to create a company with an unprecedented array of services. Not bad for just over 150 years of work.

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program

December 1997

Price Waterhouse — SAP Services

Contact Information:
David Duray
Vice President
Price Waterhouse
No 1 London Bridge
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SE1 9Q England
Tel: 0171 939 3000

Price Waterhouse
1177 Avenue of the Americas
New York, NY 10036 USA
Tel: (212)596-7000

The following profile outlines the services and support offered by Price Waterhouse to its clients for SAP services.

Company Background

Price Waterhouse was founded in 1849 and now consists of a network of 27 firms with more than 49,000 professional and support personnel worldwide. Price Waterhouse has 440 offices in 119 countries and territories.

Price Waterhouse's traditional business is tax, audit and consulting services for public and private sector clients. The Management Consulting Services group provides systems integration, professional services, consulting and other services to Price Waterhouse clients.

Price Waterhouse has revenues in the UK of around $250 million.

SAP Activities

Price Waterhouse is a Global SAP Logo Partner. It was the first firm to become a SAP Alliance Partner and also the first consultancy to establish a SAP Center of Expertise.

Employees

Price Waterhouse has approximately 2,700 SAP consultants worldwide, of which some 700 are based in Europe. The firm is investing more than $10 million in training a further 1,300 SAP consultants worldwide in 1997.

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Services

Price Waterhouse has both SAP R/2 and R/3 expertise. The firm's services offerings include:

- Process analysis and design
- System interface and configuration
- Technology infrastructure
- Organizational change and training
- Project management.

These five areas are also the elements in Price Waterhouse's five-track SAP R/3 methodology which the firm believes is key to a rapid and successful delivery of SAP project results.

Price Waterhouse's offerings further include these complementary products:

- Event Processor Technology (also known as Esprit)– a proprietary front end tool used to integrate old systems with SAP
- Price Waterhouse R/3 Toolkit– an on-line version of the proprietary Price Waterhouse SAP R/3 methodology
- Industry Templates – a set of Price Waterhouse developed pre-configured SAP implementations for selected industries, including chemical, oil & gas, high technology, pharmaceutical, and consumer packaged goods. The firm is developing templates for retail and entertainment media and communications.

Industry Knowledge And References

Price Waterhouse has around 200 SAP clients worldwide of which 20 are R/2 installations. The firm has focused strongly on the existing SAP industries and has developed special solutions for most (see above).

Price Waterhouse's worldwide SAP client list includes:

- AT&T
- Amoco
- Disney
- Gillette
- Guinness
- Kone
- Philip Morris
- Procter & Gamble
- Rhone Poulenc Rorer
- Shell
- Volvo.

In the UK, Price Waterhouse quotes Post Office Counters, Lever Europe, Keebler, and British Gas as some of the main SAP implementation projects.

Strategic Positioning

Price Waterhouse believes that its long standing relationship with SAP has placed it in a unique position in the market. The firm dedicates more than 10% of its partner resources and staff to SAP initiatives. Price Waterhouse was selected by SAP to do product evaluation for the US market.

Price Waterhouse has the most SAP projects worldwide of any consultancy firm and believes that this, combined with best practice approach extensive industry expertise, are its main differentiators in the marketplace.

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Exhibit 1

SAP Activity By Vertical Market

Vertical Market	Type of Installation	% of Installations
Chemicals	R/2	3%
	R/3	13%
Consumer Goods	R/2	3%
	R/3	29%
High Technology	R/2	1%
	R/3	20%
Oil and Gas	R/2	1%
	R/3	10%
Pharmaceuticals/ Healthcare	R/2	1%
	R/3	8%
Entertainment/ Media	R/3	1%
Transportation	R/3	2%
Other	R/2	2%
	R/3	8%

Source: Price Waterhouse

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December 1997

Price Waterhouse — SAP Services

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Vice President
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	R/3	10%
Pharmaceuticals/ Healthcare	R/2	1%
	R/3	8%
Entertainment/ Media	R/3	1%
Transportation	R/3	2%
Other	R/2	2%
	R/3	8%

Source: Price Waterhouse

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

November 1996

Price Waterhouse

World Chairman: Dominic Tarantino
U.S. Chairman: James J. Schiro
1177 Avenue of the Americas
New York, NY 10036
Phone: (212) 596-7000
Fax: (212) 596-8910
Internet: http://www.pw.com

Status:	Partnership
Employees:	53,000+
Worldwide Revenue:	$5,020,000,000
Worldwide Consulting Revenue:	$1,500,000,000
U.S. Consulting Revenue:	$687,000,000
Fiscal Year End:	6/30/96

Key Points

- Price Waterhouse is a global professional services firm, providing business advisory, information technology, and change integration services.
- In July 1996, the Price Waterhouse Management Consulting Services Group (MCS) and PeopleSoft, Inc. entered into an alliance to provide enterprise-wide client/server software and consulting services to the financial services industry.
- In July 1996, Price Waterhouse LLP admitted 67 new partners, bringing the total number of partners in the U.S. firm to approximately 980.
- In June 1996, Price Waterhouse and Ontario-based Newstar Technologies, Inc. entered into a strategic alliance allowing Price Waterhouse to use Newstar's Real Estate Asset and Portfolio Management System in its consulting services.
- In June 1996, Price Waterhouse's Insurance Industry Services group released its property and casualty prototype, the first in

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a series of data warehousing prototypes specific to the insurance industry.

- In February 1996, Price Waterhouse announced the establishment of the Electronic Financial Service (EFS) Consulting group, a new group within the Financial Service Industry practice.

- In late 1995, the MCS practices of the U.S., European, and Japanese firms were combined so as to serve clients with greater speed, efficiency, and focus.

- In July 1995, Price Waterhouse LLP introduced KnowledgeView℠, a proprietary, interactive, on-line data repository.

Company Description

Price Waterhouse is one of the world's largest international organizations of accountants and consultants.

- Founded in 1849, Price Waterhouse is a global tax, audit, and consulting firm that offers management, financial, and information technology consulting services for businesses, government agencies, and nonprofit organizations.

- The U.S. firm, Price Waterhouse LLP, was founded in 1890 with the opening of Price Waterhouse's first U.S. office. The U.S. partnership provides management, financial, and information technology consulting services for businesses and government agencies in the U.S.

- The majority of Price Waterhouse's information services activities fall within the MCS organization. These services include systems integration, professional services, and application software.

Organization and Structure

Price Waterhouse, headquartered in New York (NY), comprises a network of 27 firms worldwide, and employs more than 53,000 people through 440 offices in 119 countries and territories.

Each Price Waterhouse firm is a self-contained organization, operating under the local laws and regulations of the country (or countries) in which it practices. Offices are staffed with professionals who have expertise in local business procedures.

Structure by Industry/Service Lines

The Price Waterhouse firms structure service delivery around key industries and service lines.

- Key strategic industry groups include:
 - Financial Services
 - Energy
 - Petroleum
 - Utilities
 - Entertainment, Media, and Communications (EMC)
 - Technology
 - Products (U.S. only)
 - Other industries the company serves are aerospace, government, defense, law firms, managed health care, and railroads.
 - Each industry group consists of a team of partners and managers with a background in that specific industry. Teams are formed with other industry consultants, providing expertise in all areas required by the specific project.

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- Price Waterhouse's key service lines include:
 - Management Consulting Services (MCS)
 - Audit and Business Advisory Services (ABS)
 - Tax and Legal Services
 - Corporate Finance Services—Corporate Recovery and Dispute Analysis services are also offered in the U.S. and parts of Europe
 - Outsourcing Services—Offered in the U.S. and parts of Europe

Geographic Organization

With the exception of the Management Consulting Services (MCS) organization, which is organized by national business, the Price Waterhouse worldwide organization is divided into six geographic areas:

- The Americas—Canada and the U.S.
- Africa and the Middle East
- Asia and the Pacific
- Western Europe
- Eastern Europe and the former Soviet Union
- Australia

Price Waterhouse LLP, representing the U.S. operations of Price Waterhouse, is headquartered in New York (NY).

- It has 106 offices located throughout the U.S. Major offices are located in New York (NY), Chicago (IL), Philadelphia (PA), Los Angeles and San Francisco (CA), Dallas and Houston (TX), and Boston (MA).

- Price Waterhouse LLP is headed by Chairman and Senior Partner-Elect James J. Schiro. In July 1995, Mr. Schiro formed a seven-member Chairman's Office to assist him in providing overall management and direction of the U.S. firm.

The MCS organization, headed by World MCS Senior Partner Thomas O. Beyer, is organized by national business.

- In late 1995, the MCS practices in the U.S., Europe, and Japan were combined in order to provide more rapid and effective cross-border deployment of services. This group is known as Price Waterhouse LLC.

- The MCS group has a three-dimensional matrixed organizational structure based on industry, service domain, and business process.
 - Two broad service domains include Change Integration® and information technology.
 - Business processes include financial and cost management, supply chain management, and industry-specific processes.
 - Price Waterhouse MCS consultants are experts in one area of a matrix cell, and have strong skills in at least one other cell as well.

The Price Waterhouse World Technology Centre in Menlo Park (CA), a unit of the Price Waterhouse worldwide organization, provides consulting and research on technology companies, industries, and markets to Price Waterhouse partners and staff and their clients.

Company Strategy

Price Waterhouse's service strategy is based on the use of experienced and knowledgeable consultants and dedicated project management and design tools.

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The firm's project strategy uses a team approach. Price Waterhouse provides industry expertise in several targeted industry markets, including industry-specific applications.

Price Waterhouse's MCS consultants have expertise in at least two areas: for example, expertise in a specific industry as well as expertise in systems integration. Teams are formed to provide expertise in all areas required by the customer for a particular engagement.

The MCS group has developed a Systems Management Methodology (SMM), which acts as a guideline for all of the company's systems development and implementation projects, and contains sections for both package and custom software projects.

Price Waterhouse's growth strategy includes increasing revenue through major acquisitions and the formation of additional strategic alliances.

Financials

Price Waterhouse's total worldwide revenue for fiscal 1996 was approximately $5.02 billion, an increase of nearly 13% over revenue of $4.46 billion in fiscal 1995.

- Worldwide MCS revenue increased 22% to $1.5 billion.
- Revenue from audit and business advisory services and tax services each grew 10%.
- Revenue from corporate finance services rose 15%.
- Management attributes revenue growth to increased demand for consulting services, with the highest growth in IT consulting.

Market Financials

INPUT estimates that Price Waterhouse's fiscal 1996 worldwide MCS revenue was segmented by industry group approximately as follows:

Financial services	24%
Petroleum and utilities	15%
Entertainment, media, and communications	8%
Products	35%
Government	13%
Other	5%
	100%

Geographic Financials

Price Waterhouse's fiscal 1996 U.S. revenue reached approximately $2.02 billion, a 13.5% increase over fiscal 1995 of $1.78 billion.

- U.S. consulting revenue rose 25%, to approximately $687 million from $551 million the prior year.
 - Consulting accounted for approximately 34% of the U.S. firm's total revenue, compared to 31% during the previous year.
 - By the year 2000, Price Waterhouse expects consulting revenue to account for more than 50% of the U.S. firm's total revenue.
- U.S. audit and business advisory services grew 4% to approximately $750 million.
 - Growth was due to an increase in audit clients and an increased emphasis on business advisory services in the areas of risk management and enhancing shareholder value. These include transaction support, information systems, risk management, internal audit services, strategic analytics, and product advisory services.

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- The firm also maintained its high client retention rate.

- U.S. tax service revenue grew 12% to $455 million in fiscal 1996, led by growth in international and multistate tax practices as well as other niche services.

- U.S. dispute analysis and corporate recovery services increased nearly 12%, to $115 million, reflecting continued growth in the areas of dispute resolution support, business turnaround services, and forensic and investigative services.

Employees

Price Waterhouse has approximately 53,000 employees worldwide.

In the U.S., Price Waterhouse LLP currently has approximately 16,000 employees, up from about 15,000 a year ago.

- The U.S. firm currently has approximately 8,500 consultants, of which 1,000 are partners, up from 957 in July 1995.

- Overall employment is expected to rise an additional 10% during fiscal 1996.

Key Products and Services

Industry Groups

Price Waterhouse provides a range of financial management, strategic, and information technology consulting services. Major information service offerings across industry groups are as follows:

- *Financial Services*—This industry practice provides a wide range of audit, accounting, tax, regulatory, and management consulting services to commercial banks, savings institutions, securities firms, investment and insurance companies, and real estate firms.

- The Financial and Cost Management Services group assists clients to manage change and implement financial systems by assisting in Business Process Transformation℠ and in the evaluation, selection, implementation, and customization of third-party application software.

 This group also helps clients analyze, develop, and implement cost-management systems, including Price Waterhouse's proprietary activity-based costing product, ACTIVA℠.

- The Electronic Financial Services (EFS) Consulting group, established in February 1996, is the practice's newest group. The EFS provides advisory services to large financial institutions starting, expanding, or refocusing electronic banking initiatives with individual and business customers. Services are offered in three areas:

 - Strategic and tactical consulting
 - Information technology advice
 - Services focused on the integration of new electronic product offerings with existing products, services, and business lines

- The Corporate Finance Group assists corporations, financial investors and lenders to identify prospective acquisition and divestiture candidates, structure tax-effective deals, and provide due diligence services associated with mergers, acquisitions, joint ventures, and strategic alliances.

 The Corporate Finance Group has more than 800 professionals worldwide.

- *Energy*—The World Energy Group provides accounting, business advisory, auditing, tax

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planning and compliance, operational and financial information technology, and systems implementation services to clients in the extractive, manufacturing, processing, distribution, water, and power generation sectors. Major industry sectors served are petroleum, natural gas, and oilfields; utilities; and mining.

Petroleum—Price Waterhouse LLP's Petroleum, Natural Gas, and Oilfield Industry Services group provides executive-level consulting, tax planning, and compliance for the petroleum industry.

- The group supports clients through accounting, litigation support, information technology, systems setup, and operating facility acquisition and management.

- The World Petroleum Industry Group also offers SAP/R3 implementation services.

- This group is the auditor for six of the ten largest integrated oil companies in North America, as well as for 1,500 other oil and gas companies worldwide.

- The World Petroleum Industry Group operates the Global Petroleum Performance Centers, located in Houston and Dallas (TX). The centers demonstrate Price Waterhouse and selected vendor software covering upstream, downstream, and chemical operational and accounting applications.

Utilities—The Utilities Industry Services group provides accounting, auditing, tax, and regulatory requirements services to the regulated utility and independent power production industries.

- The Utilities group provides consulting in the development and implementation of large-scale utility information systems.

- This group also assists in the development of strategies and policies to implement organization efficiencies.

- *Entertainment, Media, and Communications (EMC)*—This group provides consulting for some of the largest entertainment and media companies, as well as some of the largest communications companies and wireless ventures. Consultants help to leverage existing content into new products for new audiences, to customize and digitize content for new delivery systems, and to identify profitable customer segments, products, and channels.

 This group also helps companies to comply with emerging global regulatory issues and to assess international markets, technical delivery capabilities, economic environments, and customer opportunities.

- *Technology Industry Group*—This group provides a range of audit, business advisory, tax planning and compliance, and management consulting services to clients in six major industry segments:

 - Semiconductors
 - Software
 - Computers and peripherals
 - Life sciences
 - Networking and communications
 - Other—aerospace, photographic, multimedia, Internet, and other technology sectors

- *Products Industry Services*—Part of the U.S. firm, this group provides professional services, primarily regarding supply chain issues, to product companies.

 - The MCS group provides services and consulting practices, including:

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- Change Integration® methodology, the company's proprietary methodology that views change holistically and advocates that organizations maximize business performance by focusing on six distinct yet integrated levers of change—Customers & Markets, Products & Services, Structure, People & Rewards, Business Processes, and Systems Technology

 As a part of the Change Integration services, Price Waterhouse also offers strategic change consulting services that take the client from strategic reassessment, including analysis of the market and the competition, through the development and selection of position and strategic alternatives, to the determination of tactics for implementation.

 Price Waterhouse's Organizational Change practice is also a part of the Change Integration methodology, and includes organization and development, culture, change, and technology assimilation.

- Supply Chain Management (SCM), is the consulting practice that coordinates management of the flow of physical goods, services, business information, and cash.

- Management Horizons, the management consulting and market research division of Price Waterhouse LLP, focuses on the retailing and consumer goods distribution industries, providing strategy development and strategic information systems planning.

- The Information Technology group offers SAP implementation services and SAP implementation templates for the consumer goods, high tech, chemical, pharmaceutical, and retail industries. Price Waterhouse has assisted in more than 30% of all SAP installations to date, and claims to employ the largest pool of experienced SAP consultants in the world.

- The Products Group's ABS and Tax consultants provide cost management, financial analysis, business assurance, globalization, and risk management services.

- The Products IT group has a center of excellence providing reference materials and a dedicated staff to monitor new supply chain management applications and major enhancements to existing products.

- The Advanced Systems Engineering and Development Tools group analyzes information technology needs related to the use of advanced development tools, techniques, and methodologies. Specific services include:

 - Accelerated new application systems development using third-party advanced systems development tools such as Powerbuilder, Composer by IEF, SQL Windows, and Visual C++

 - Current systems analysis, software reengineering, and transition of current systems to new target architectures and strategic technology plans using ARRAE SM/CSA & CSM, Price Waterhouse's proprietary reengineering tool, and third-party tools such as PM/SS, REVOLVE, and the ViaSoft suite of systems reengineering tools

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- Process and project management services, and a project monitoring and control through the use of automated tools such as LBMS Process Engineer

- *Other*—Price Waterhouse's Office of Government Services provides consulting services to improve the service delivery, operations, and management of public sector organizations at the federal, state, local, and international levels.

 - This group provides financial management and controls services, including information systems evaluation and audits. It also offers information technology services, including strategic information systems planning, systems analysis and design, custom development, package implementation, document imaging processing, systems reengineering, and systems integration.

 - The Office of Government Services has more than 650 management and technology consultants.

Service Lines

Management Consulting Services (MCS)—Price Waterhouse's MCS group is the area in which the majority of the firm's information technology and Change Integration® services fall.

The MCS group provides a range of information technology and business process improvement services to multinationals and large domestic public and private organizations, including:

- IT planning and assessment—The Information Technology Services group uses the PW Systems Management Methodology (SMM), a proprietary, structured IT approach, to plan, develop, and implement strategic information systems.

 The National Electronic Commerce group provides electronic commerce/electronic data interchange (EDI) services, including a range of services to assist clients in all phases of EDI/electronic commerce system planning, software and hardware evaluations, program development, and system implementations.

- Custom, leveraged, packaged systems solutions—Provided by the Information Technology Services group

- Systems integration services—Consultants work with clients to determine the impact of EDI on current systems, procedures, and staffing requirements, then integrate EDI into internal applications such as purchasing, order management, distribution, warehousing, and shipping and receiving.

- The Cytrol Division—Designated as an Advanced Software Engineering Center for Price Waterhouse, this division provides a range of information systems consulting and software engineering services to the financial services industry and to selected clients outside the industry. It focuses on data warehousing, systems integration, custom client/server systems development, and on-line transaction processing.

- Financial and cost management services—Helping clients to manage change and implement systems within the financial function through evaluation, selection, implementation, and customization of third-party application software. The Financial and Cost Management Services group also helps clients analyze, develop, and implement cost management systems, including the proprietary Price Waterhouse ACTIVA℠ product.

- Human resources management services—Assisting companies to perform strategic

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planning for human resources systems. The group develops and implements benefits, personnel, and payroll systems and provides advice about vendor computer packages.

- Supply chain management (SCM) services—The MCS group provides consulting services to address the process and technological linkages between traditional supply chain functions and companies in industries such as consumer goods, high technology, pharmaceuticals, automotive and consumer durable goods, chemicals, industrial products, aerospace and defense, and apparel. Consultants help other consumer-channel product companies define, design, and implement effective SCM solutions focusing on improving client performance by working through the supply chain from the customer to the vendor.

In addition, the group provides Change Integration® services, including:

- Strategic change—A three-phase process that begins with a strategic reassessment, including an analysis of markets and the competition, the critical success factors, and the best practices for achieving success. The second phase focuses on developing, assessing, and deciding among positioning and strategic alternatives. The third phase determines the tactics for implementation.
- Organizational change—Price Waterhouse's Organizational Change practice focuses on organizational design and development, culture change, and technology assimilation.
- Business Process Transformation℠ (BPT)—Using the Change Integration® methodology, BPT enables organizations to improve business process performance and ensure that clients' initiatives are integrated with corporate goals and objectives, customer and market demands, and organizational and human resource issues.

Audit and Business Advisory Services (ABS)—Price Waterhouse LLP's ABS group provides attest and related service as well as a range of business advisory services:

- Accounting and Audit-Related Services, including accounting and reporting systems design and implementation, and licensing of proprietary audit and accounting computer software
- Financing-Related Services
- Joint Ventures, Mergers and Acquisitions, and Reorganization Services
- Operational Reviews
- Regulatory Advisory Services
- Business Risk Management
- Other Business Advisory Services

Tax and Legal Services—Price Waterhouse's Tax and Legal Services group provides planning and compliance offerings in the areas of federal, state and local, and international tax:

- Tax strategy, planning, and compliance
- Tax research, monitoring, and reporting
- Development and implementation of proprietary software that automates tax planning, accounting, and compliance

In addition, the group provides various other services, including:

- Employee benefits services
- International assignment and tax services
- Multistate tax consulting
- Personal financial products and services
- Tax department optimization solutions

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- Valuation services
- Washington national tax services

Corporate Finance Services—Corporate Finance professionals assist, advise, and support corporations, financial investors, and lenders throughout their transactions, including identifying appropriate acquisition, divestiture, and merger/strategic alliance candidates; assisting with negotiations and post-transaction services; structuring tax-effective deals; and providing due diligence services.

Services provided include:

- Strategic advice
- Acquisitions and disposals
- Joint ventures and strategic alliances
- Finance raising and refinancing
- Management buy-outs and buy-ins
- Valuations

Corporate Recovery and Dispute Analysis Services are also provided in the U.S and parts of Europe:

- Corporate Recovery and Dispute Analysis Services, which includes the Business Turnaround Services segment in the U.S., provides financial and economic consulting to lawyers and parties involved in all types of actual and potential litigation, arbitration, and mediation.

- The group also provides comprehensive business, systems, and litigation consulting to debtors and equity shareholders of companies in transition due to reorganization, restructuring, merger, acquisition, divestiture, bankruptcy, or dissolution.

- Areas of focus include alternative dispute resolution, antitrust, bankruptcy services to creditors and debtors, business turnaround services, construction, employment, economic, environmental, insurance claims services, intellectual property, investigative services, law firm consulting, legal systems, and securities law.

Outsourcing—In the U.S., Price Waterhouse LLP has a new practice providing value-added accounting, taxation, and other financial outsourcing services for businesses. The firm performs support activities using employees hired from the clients.

Many of Price Waterhouse's projects involve developing and implementing client/server technology, including global enterprise-wide implementations. The company is also involved in data warehousing and the Internet.

Software Products

Price Waterhouse develops and sells various software products, including integrated accounting, tax planning, oil and gas accounting, reengineering, and CASE software.

The *Financial Services Industry Group* offers various software, including:

- The Personal Financial Products group provides interactive retirement and estate planning software to retail consumers via marketing agreements.

- Risk ToolSet is a trio of risk management products for the management and measurement of market risk.

- PW Triton, PW Professional Affinity, and PW Corporate Affinity are valuation software packages for the life and property/casualty insurance industry.

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These products ensure accurate and timely production of loss reserves and enhance financial analysis and decision support.

- Cytrol Investment Management System is a client/server-based investment management system offered by the Cytrol division.

- FIGURATION, a securities calculation software application for the banking, finance, and insurance industries, is also offered by Cytrol.

- In June 1996, Price Waterhouse's Insurance Industry Services group released its property and casualty prototype, the first in a series of data warehousing prototypes specific to the insurance industry. The prototype provides on-line analytical capabilities on premium and losses as well as flexible multidimensional reporting, drilling, and graphing of information.

The *Petroleum Industry Group* provides the following proprietary applications:

- PinPoint™ Petroleum Performance Systems is a portfolio of integrated client/server business solutions for process, information, and technology needs of upstream and downstream petroleum and gas companies.

- Price Waterhouse PREMAS™ and PREMAS Plus™ are client/server petroleum production management systems.

- Price Waterhouse GasLink™ is an integrated natural gas management system covering such applications as operations, accounting, and marketing.

- Price Waterhouse STARS™ is an integrated petroleum trading, supply, and distribution management system designed to automate the domestic downstream operations of U.S. oil companies.

- Price Waterhouse SAP R/3 is a set of client/server software modules that support a range of processes in the petroleum and chemical businesses, including sales and distribution, materials, management, financial and cost accounting, and human resources management.

- Price Waterhouse FieldHand, offered by the World Petroleum Industry group, is a petroleum field data collection system that captures daily production figures at the source.

Applications offered by the *Utilities Group* include:

- Service 2000 and Service 2000/ADW, customer information systems

- Catalog 2000 for item directory management

- Desktop 2000, a CIS customer services call center application

- Restoration 2000, an outage analysis and trouble call management system

- Field 2000, an order scheduling and mobile dispatch system

- Field Draft 2000, a local purchase and payment system

- Market 2000, a product and services marketing system

- Utility Fixed Asset Management System, enabling utilities companies to compute expenses, credits, preferences, and recaptures, as well as gains and losses under both old and new laws

The *Products Industry Group* offers the following applications:

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- ChangePro 2.6, for business process analysis
- Change Suite, a set of change integration project management tools
- ACTIVA, Price Waterhouse's proprietary activity-based costing system

Price Waterhouse also offers the following applications:

- The Government Contractor Consulting group develops cost accounting estimating, MRP, and project management systems for both government and commercial contracts.
- KnowledgeView[SM], introduced in June 1995, is a proprietary interactive, on-line data repository that gives the clients' business advisers access to the most current information available on best practices and benchmarking.
 - KnowledgeView includes data, summaries, references, and citations collected by Price Waterhouse personnel and updated daily at KnowledgeView centers in Dallas and London.
 - KnowledgeView includes industry-specific performance measurements and results, as well as information about how other companies conduct business.
 - The KnowledgeView database contains more than 4,000 entries, consisting of independent research, benchmarking studies, and data from a range of business information sources as well as Price Waterhouse consultants worldwide.
- Geneva V/T is a database and file management system that uses shared memory/disk architecture of mainframes, and serves as an engine for extracting and reformatting data from the system to the data warehouse. Geneva V/T also supports batch processing.
 - Geneva V/T can be used as an engine for extracting, cleansing, and reformatting data from operational systems to feed summarized data warehouses on client/server platforms.
 - Geneva V/T applications have been implemented for pharmaceutical, retail, financial services, and government clients.
 - In January 1996, a new version (Version 3.2) of Geneva V/T was released.
- PW-ACRUE is a check scanning and imaging software product.

Clients

A sampling of Price Waterhouse's clients worldwide include:

Adaptec, Banco del Caribe (Venezuela), Blockbuster Entertainment, Consumers Gas (Canada), Development Bank of Brunei (Singapore), Gazprom (Russia), Korea First Bank, Nestle, Nike, Nippon Light Metal, Taiwan Aerospace, Shell Petroleum and Development Co. (Nigeria), Sun Alliance (Belgium), and United Distillers (Spain).

The majority of Price Waterhouse LLP's clients are Fortune 500 and Fortune Service 500 multinationals that are based in the U.S.

A sampling of recent engagements includes:

- For an international retail company outside the U.S., Price Waterhouse used EDI technology to reengineer business processes from the client's executive offices and trading partners down to individual store receiving docks.

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- For a diversified chemical company, Price Waterhouse performed a detailed evaluation of EDI mainframe products, including a definition of requirements, development of selection criteria, collection of information from vendors, hands-on demonstrations, product comparison analysis, and best-fit recommendations.

- For a high-technology industry leader, Price Waterhouse implemented client/server EDI software with SAP R/3.

- For a major oil company, Price Waterhouse reengineered the order fulfillment processes. The joint client/PW team designed SAP configuration for the company's pricing and tax needs, and developed training material for the new system.

- For a leading independent diesel engine manufacturer, Price Waterhouse LLP evaluated the client's relationships with customers, suppliers, distributors, and intracompany units to identify EDI opportunities. Based on the findings, Price Waterhouse developed an EDI implementation plan, performed a cost/benefit analysis, integrated EDI into a JIT initiative, and conducted EDI training for the client's management.

Marketing and Sales

To supplement the dedicated sales force and marketing personnel, Price Waterhouse partners devote a portion of their time to business development. The percentage of time spent on selling generally increases with the individual's position or level within the firm. The organization's primary sources of leads are through existing client references and vendor alliances.

Alliances

Price Waterhouse has alliances with a number of leading companies, including SAP America, Kawasaki, Digital Equipment Corporation, International Consulting Solutions, and Pillar Corp., among others.

Price Waterhouse's Vendor Alliance program is based on formal, non revenue-sharing agreements with EDI software vendors.

- The program covers product licensing, joint training programs, technology sharing, and specific joint projects.

- The program is supported by the network of personal relationships maintained by the company's consultants with local vendors' marketing and support representatives.

The Global Benchmarks Alliance (GBA) is a group of more than 60 member corporations representing more than 580 participating business units in 37 countries across North and South America, Europe, and the Asia/Pacific region interested in benchmarking and best-practice research.

- In 1996, the Alliance covered seven finance-oriented processes and three issues-based areas.

- Topics include strategic procurement, shared services, corporate systems infrastructure, financial reporting, revenue cycle, expenditure cycle, production/service cost and inventory, employee compensation and benefits, financial planning and analysis, and fixed assets.

In July 1996, the Price Waterhouse MCS group and PeopleSoft, Inc. entered into an alliance to provide enterprise-wide client/server software and consulting services to the financial services industry through the establishment of a Financial Services

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Solutions Center located in New York (NY), and staffed with industry and technology consultants from both organizations.

- The alliance combines Price Waterhouse's industry knowledge and best practices with PeopleSoft's client/server financial, material management, and human resources software.
- Price Waterhouse is also participating in PeopleSoft's Financial Services Advisory Board, which offers guidance for industry-specific solution enhancements in future releases of PeopleSoft applications.

In June 1996, Price Waterhouse LLP entered into a strategic business alliance with Ontario (Canada)-based Newstar Technologies, Inc., a provider of enterprise-wide automation solutions for organizations in Canada, the U.S., and Asia.

- The nonexclusive agreement authorizes Price Waterhouse to demonstrate, prototype, implement, and perform related consulting services with respect to Newstar's Real Estate Asset and Portfolio Management System at its own facilities and client sites.
- Newstar products are also added to the Price Waterhouse Advanced Software Engineering Center (ASEC), a Price Waterhouse facility that provides evaluation, testing, prototyping, and quick-start system development services for clients needing new or reengineered processes and systems.

In July 1995, Price Waterhouse signed a reseller agreement with Business Objects to use the Business Objects decision-support software to provide data warehouse solutions.

Competition

Major competitors include Andersen Consulting, CAP GEMINI America, Coopers & Lybrand, Digital Equipment Corporation, Deloitte & Touche, EDS, Ernst & Young, IBM, and KPMG Peat Marwick.

Assessment

Price Waterhouse LLP's strengths include:

- Global focus with local delivery capabilities
- Multidimensional focus
- Specialization through focus
- A single partnership entity
- Retention of key staff

Challenges facing the company in the coming year include:

- Increasing staff to accommodate global needs of clients
- Fulfilling infrastructure needs
- Growing the Outsourcing practice
- Successfully completing acquisitions

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COMPANY HIGHLIGHT

PRIME COMPUTER CORP
145 Pennsylvania Ave.
Framingham, MA 01701
(617) 879-2960

Ken Fisher, President
Public Corporation, OTC
Total employees: 520
Total revenues, fiscal year
end 12/31/76: $22.8 million

THE COMPANY

- Prime Computer was founded in 1972. It manufactures and markets minicomputer hardware and develops operations and applications software primarily for the end user market. Prime buys hardware peripherals for its systems. It provides its own maintenance.

- Revenues in 1975 were $11.3 million on net earnings of $692,000 In 1976 net earnings were $2.4 million, current assets were $15.1 million, and current liabilities were $4.9 million.

- Employees more than doubled from 239 in 1975 to 520 in 1976. Marketing and support staff jumped from 74 to 289 worldwide and sales people climbed from 12 to 53.

- Prime has established a subsidiary in France - Prime Informatique - and several new field offices in the U.S. It is considering acquisition as a means of growth.

- Early in 1977, Prime had public offering through Smith Barney. Netted $5 million from 508,000 shares.

KEY PRODUCTS AND SERVICES

- Prime manufactures its own minicomputers around which it builds small business computers. It provides its own maintenance for hardware and software.

- CRT and teleprinters can apparently be run by the basic system at remote locations.

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COMPANY HIGHLIGHT/PRIME COMPUTER CORP.

APPLICATIONS are as follows:

Business data processing	33%
Computation	37
Communications	12
Data acquisition and control	18%

INDUSTRY MARKETS

- Most sales are to end users although Prime does offer a small number of products to OEM distributors.
- Prime's major 1976 clients include:

TRW	Exxon	Duke University
Mass. Institute of Technology	Genesis Ltd.	BMW
Children's Hospital (Boston)	Telenet	LTD Aerospace
Hughes Aircraft	Western Union	
Boeing Corporation	MMM	

GEOGRAPHIC MARKETS Prime has sales offices in more than 10 cities in the U.S. as well as in Europe, Australia, Singapore, and the United Kingdom.

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PROFITKEY INTERNATIONAL, INC.

382 Main Street
Salem, NH 03079
Phone: (603) 898-9800
(800) 331-2754
Fax: (603) 898-7554

President & CEO:	Michael Rapaport
Status:	Private
Total Employees:	100
Total Revenue:	$15,000,000*
Fiscal Year End:	9/30/92

Key Points

- ProfitKey, International, Inc. (PKI) announced in February 1993 that it has expanded its field services organization by establishing the ProfitKey Professional Services Group. The services group will provide ProfitKey customers with a wide range of implementation, integration, and consulting services.
- In October 1992, PKI announced the ORACLE version of the Rapid Response Manufacturing (RRM) as a key component of the company's open systems strategy.
- PKI announced the appointment of a new president and chief executive officer to manage its rapid growth plans. Michael Rapaport was chosen as the new CEO based on his proven ability to manage a rapidly growing, market-focused company. Mr. Rapaport was previously Executive Vice President and COO at Diagonal Data Corporation in Lakeland, FL. During his five-year tenure at Diagonal Data, he grew company revenues at a rate of 180% annually.
- In 1992, PKI announced a new graphical user interface, VisionWorks™ specifically designed for discrete manufacturers. VisionWorks™ was developed as part of PKI's Rapid Response Manufacturing™ System (RRM).

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Company Description

ProfitKey International, Inc. founded in 1979, develops, markets, and supports integrated manufacturing control software systems and services for make-to-order and make-to-stock manufacturers. ProfitKey's software modules allow the management of work flow, plant capacity, costs, and job tracking through the manufacturing process, and maximize production throughput.

Operations/ Structure

PKI's U.S. offices are located in Salem (NH), Chicago (IL), Cleveland (OH), Houston (TX), and Philadelphia (PA), and in North Carolina, Michigan, Northern California, and Southern California. The company also has Canadian offices in Quebec and Ontario.

Regional education centers are located in the company's offices in Salem (NH), Santa Clara (CA), Chicago (IL), and Cleveland (OH).

Strategy

PKI has positioned itself as a vendor of "enterprise automation" solutions, offering a combination of products and professional services to manufacturers.

PKI has also reengineered their software to be data base independent. In 1992, PKI began to offer an ORACLE version of their Rapid Response Manufacturing (RRM) software modules, offering a data base independent manufacturing control system. They now offer RRM with the ProfitKey data base, an ORACLE version and RRM with an AS/400 RDBMS.

Financials

INPUT estimates PKI's fiscal 1992 revenue was $15 million, an 34% increase over fiscal 1991 revenue of $11.2 million.

Alliances

PKI is an IBM Industry Remarketer, an NCR Cooperative Marketing Reseller, and a software supplier for HP, DEC, and Unisys.

Employees

The company currently has approximately 100 employees.

Key Products and Services

Approximately 75% of PKI's fiscal 1992 revenue was derived from applications software products and 25% from turnkey systems.

PKI software products are designed for manufacturers that make products to order, to stock, or some combination of both. Often they are the suppliers of other manufacturers.

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- PKI's software products run on various multiuser computers under versions of UNIX , XENIX, VMS, AIX, and HP-UX, including IBM PS/2, RT, RT/6000, and AS/400 systems, HP 9000, NCR Tower, DEC VAX and MicroVAX, and Unisys 5000 and larger systems.

- Software prices range from $15,000 to over $100,000, depending on the modules purchased and the number of users.

- Over 700 users have implemented ProfitKey software in the U.S. and Canada.

Rapid Response Manufacturing System

PKI offers several software modules that comprise ProfitKey's Rapid Response Manufacturing Systems (RRM). RRM is comprised of a core software module plus other optional manufacturing, financial, and utility software modules. These modules allow users to track, control, and estimate costs of complex jobs; schedule and reschedule to a single due date; manage within a capacity plan; and deliver quality products on time.

RRM's core software module is comprised of:

- Order Entry
- BOM/Routing
- Job Control/History
- Costing
- Loading & Scheduling
- Inventory Management & Control
- Estimating
- Purchasing
- Sales Analysis
- VisionWorks™
- Report Writer (with RW Plus)

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Optional modules include:

- RRM Financials that includes the General Ledger, Accounts Payable, Accounts Receivable
- MTS Material Planning that includes MRP and Master Scheduling
- Bar Code Data Collection that includes attendance/labor and inventory data collection
- Product Configurator
- Serial Number/Lot Control
- Payroll
- EDI interfaces

RRM is designed to be data base independent. The customer can choose RRM based on the classic ProfitKey data base, the ORACLE relational data base version, or the native AS/400 data base. All versions are designed to perform identically and migration should require no retraining.

Client/Server Products

PKI has also announced MRP for Windows. MRP for Windows uses the Windows GUI, runs on IBM OS/2 or Windows NT, 4GL design tools, and operates with a standard SQL data base products in a client/server environment. MRP for Windows is designed to provide inventory, engineering, purchasing, production, financial, and quality control functionality.

MRP for Windows supports standard SQL data base servers including: ORACLE, Sybase, IBM DB2, SQL/400, Ingres, HP Allbase, Informix, and SQLbase.

ProfitKey Software Protection includes software warranty, enhancements, software upgradability, twelve-hour telephone and modem support from the Customer Services Department, and access to the ProfitKey User Group.

Professional Services

PKI announced in February 1993 that it has expanded its field services organization by establishing the ProfitKey Professional Services Group.

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The services group will provide ProfitKey customers with a wide range of implementation, integration, and consulting services including pre-implementation planning, hardware and software installation, classroom instruction (either at PKI regional education centers or on-site), as well as on-site application support and consulting.

Industry Markets

One hundred percent of PKI's revenue is derived from discrete manufacturers.

PKI software products are designed for discrete manufacturers that make products to order, to stock, or some combination of both. Often they are the suppliers of other manufacturers.

The company targets its products to companies with SIC codes of 25xx and 34xx-39xx.

Geographic Markets

An estimated 90% of PKI's fiscal 1992 revenue was derived from the U.S. and 10% was from Canada.

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PROPRIETARY SOFTWARE SYSTEMS, INC.

429 Santa Monica Boulevard
Suite 430
Santa Monica, CA 90401
Phone: (310) 394-5233
Fax: (310) 393-3122

President:	Richard Gilinsky
Status:	Private Company
Total Employees:	8
Total Revenue:	$1,000,000
Fiscal Year End:	12/31/92

Key Points

- Proprietary Software Systems, Inc. (PSS) is deriving an increasing percentage of its total revenue from systems software products for embedded computer systems in support of Ada, JOVIAL, and C languages and customized software tools for the aerospace industry.
- During 1994, PSS plans to introduce C compilers for special-purpose embedded controllers, plus visual toolsets, including debuggers.
- PSS supports several major Department of Defense (DoD) programs--B-2, MILSTAR, Longbow-Hellfire (Apache), and C-17--as a supplier of software developmment tools. PSS also supplies development toolsets for the Lockheed L-1011.

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Company Description

Proprietary Software Systems, Inc. (PSS), incorporated in 1972, provides systems software tools and professional services to aerospace firms, government agencies, and computer manufacturers.

Strategy

PSS' strategy for growth is to expand into the commercial marketplace by:

- Providing multiplatform availability for its products
- Adding a C/C++ language
- Focusing on commercial controller chips
- Introducing visual programming tools

Financials

PSS' revenue for the year ending December 31, 1992 was $1 million, compared to 1991 revenue of $2 million.

Declines in revenue have been due to defense industry downsizing.

Market Financials

Approximately 70% of PSS' revenue is derived from the aerospace industry and the Department of Defense, 20% from other military/federal government units, and 10% from commercial sources.

Geographic Markets

Approximately 80% of PSS' revenue is derived from the U.S. and 20% from international sources.

PSS is headquartered in Santa Monica and has a branch office in Seattle (WA).

PSS conducts direct sales in the U.S., Europe, and Israel. PSS uses a trading company in the Far East/Orient.

Key Products and Services

Approximately 50% of PSS' revenue is derived from professional services and 50% from systems software products.

PSS offers systems software tools for DEC VAX, Sun SPARC, and Intel 80386 platforms and targets embedded computer systems in support of Ada, JOVIAL, and C languages.

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- PSS Ada Compilers are hosted on a DEC VAX and are targeted to the VAX, x86, MIL-STD 1750A, and the Zoran ZR 34325 digital signal processor. PSS Ada Compilers are fully compliant with DoD-STD-1815A.

- The PSS Macro Assembler is compatible with PSS, Telesoft, and Tartan Laboratories Ada compilers and the PSS Link Editor.

- The PSS Link Editor is compatible with all PSS language translators and provides a set of features for building real-time applications. The Link Editor accepts multiple object modules to produce an ASCII or binary load module, plus a symbolic debug file.

- AdaRAID[R] (Ada Real-time Applications Interactive Debugger) provides symbolic debug support for Ada, JOVIAL, and assembly language programs. AdaRAID includes conditional break, watch, and trace points along with timing, histories, stepping, coverage analysis, and walkbacks. AdaRAID also supports debug procedures, DECWindows, menus, and a mouse interface.

- ESCAPE (Embedded Software Control of Application Programming Environment) is a priority-driven, multitasking, real-time operating system. It is designed to be a non-stop, autonomous system that controls resource sharing among multiple processors.

- PSS is one of the leading developers of support tools for the Military Standard Instruction Set Architecture for 1750A applications. The Integrated Tool Set (ITS) was developed by PSS for the Air Force's Embedded Computer Standardized Program Office. The PSS Corporate JOVIAL Tool Set, JIPSE (JOVIAL Integrated Programming Support Environment), is a compatible superset of the ITS, and is available on IBM 370, DEC VAX, Sun SPARC, and Intel 80386-based systems.

PSS is developing the following product upgrades for 1994 rollout:

- Release of JIPSE on SPARC and Intel x86 platforms (under DOS)

- C compilers for 1750A and Motorola M68HCOx systems

- AdaRAID under Windows 3.1

PSS has provided customized support software tools for major applications, including the following:

- Boeing Aerospace (IUS)
- Boeing Defense & Space (B-2, F-117)
- Boeing Military Aircraft (B-IB)

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- Douglas Aircraft (C-17)
- Federal Dynamics (F-16)
- Ford Aerospace and Communications Corporation (ARTS)
- Israeli Aircraft Industries (LAVI)
- Kaiser Electronics (ATA)
- Lockheed Aeronautical Systems (L-1011)
- Lockheed Aircraft Service (Quiet Knight)
- Lockheed Missile and Space Company (MILSTAR)
- Martin Marietta (Longbow)
- Northrop (B-2)
- Rockwell (F-111)
- Singer-Kearfott (F-111E)
- Sperry (MATE)

PSS provides customized maintenance services for Ada, JIPSE, and the ITS, including software management, consulting, training, testing, and technical support. Product modifications are made in response to customer requests.

Marketing and Sales

PSS markets its products and services through a direct sales force and through trading companies for the Pacific Rim markets.

Clients

PSS clients include AIL Eaton, Allied Bendix, Analex, Boeing, Chung-Shan Institute (Taiwan), Delco, Douglas Aircraft, Ford Aerospace, Fuji, General Dynamics, Hewlett-Packard, Honeywell, Israeli Aircraft, Kaiser Electronics, Kawasaki, Litton, Lockheed, Martin Marietta, McDonnell Douglas, Mitsubishi Electronics, Northrop, Singer-Kearfott, Rockwell, Teledyne, Texas Instruments, TRW, Unisys, the U.S. Air Force, and the U.S. Navy.

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PROPRIETARY SOFTWARE SYSTEMS, INC.
429 Santa Monica Boulevard
Suite 430
Santa Monica, CA 90401
(213) 394-5233

Joel Fleiss, President
Private Company
Total Employees: 22
Total Revenue, Fiscal Year End
6/30/91: $3,000,000

*INPUT estimate

The Company

Proprietary Software Systems, Inc. (PSS), founded in 1969, provides systems software tools and professional services to aerospace firms, government agencies, and computer manufacturers.

PSS' revenue for the year ending June 30, 1991 reached $__ million. Fiscal 1990 revenue was slightly under $3 million, compared to fiscal 1989 revenue of $2.8 milion.

Key Products and Services

Approximately 75% of PSS' revenue is derived from professional services and 25% from systems software products.

PSS offers systems software tools for IBM, Intel 80386, and DEC VAX hardware and embedded computer systems in support of Ada and/or JOVIAL languages.

- USAda is the PSS name for the PSS Ada Tool Set. USAda software tools include the following:
 - USAda Compilers are hosted on a DEC VAX and are targeted to the VAX, MIL-STD 1750A, and the Zoran ZR 34325 digital signal processor. USAda Compilers are fully compliant with DOD-STD-1815A.
 - USAda Macro Assembler (MAC) is compatible with PSS, USAda, Telesoft, and Tartan Laboratories Ada compilers and the USAda Memory Allocation Processor.
 - USAda Link Editor is compatible with all PSS language translators and provides a set of features for building real-time applications. The Link Editor accepts multiple object modules to produce an ACSII or binary load module, plus a symbolic debug file.

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- USAdaRAID (Ada Real-time Applications Interactive Debugger) provides symbolic debug support for Ada, JOVIAL, and assembly language programs. USAdaRAID includes conditional break, watch, and trace points along with timing, histories, stepping, and walkbacks. USAdaRAID also supports debug procedures, DECWindows, menus, and a mouse interface.

- ESCAPE (Embedded Software Control of Application Programming Environment) is a priority-driven, multitasking, real-time operating system. It is designed to be a non-stop, autonomous system that controls resource sharing among multiple processes.

- PSS is the number one developer of support tools for the Military Standard Instruction Set Architecture for 1750A applications. The Integrated Tool Set (ITS) was developed by PSS for the Air Force's Embedded Computer Standardized Program Office. The PSS Corporate JOVIAL Tool Set, JIPSE (JOVIAL Integrated Programming Support Environment), is a compatible superset of the ITS, and is available on IBM 370, DEC VAX, and Intel 80386-based systems.

- ITS includes a JOVIAL J73 Compiler, a Macro Assembler, a Link Editor, and a Real-time Applications Interactive Debugger (RAID).

- ITS is hosted on the DEC VAX and IBM 370 and is targeted to the MIL-STD-1750A, VAX-11, and IBM 370.

PSS has provided customized support software tools for major applications, including the following:

- Boeing Aerospace (IUS)
- Boeing Military Aircraft (B-IB)
- Douglas Aircraft (C-17)
- Federal Dynamics (F-16)
- Ford Aerospace and Communications Corporation (ARTS)
- Israeli Aircraft Industries (LAVI)
- Kaiser Electronics (ATA)
- Lockheed Missile and Space Company (MILSTAR)
- Martin Marietta (Longbow)
- Rickwell (F-III)
- Singer-Kearfott (F-IIIE)
- Sperry (MATE)

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PSS provides customized maintenance services for USAda, JIPSE, and the ITS, including software management, consulting, training, testing, and technical support. Product modifications are made in response to customer requests.

Industry Markets

Approximately 70% of PSS' revenue is derived from the aerospace industry and the Department of Defense, 25% from other military/federal government units, and 5% from computer manufacturers.

PSS clients include AIL Eaton, Allied Bendix, Boeing, Delco, Douglas Aircraft, Ford Aerospace, General Dynamics, Hewlett-Packard, Honeywell, Israeli Aircraft, Kaiser Electronics, Litton, Lockheed, Martin Marietta, McDonnell Douglas, Mitsubishi Electronics, Northrup, Singer-Kearfott, Rockwell, Teledyne, Texas Instruments, TRW, Unisys, the U.S. Air Force, and the U.S. Navy.

Geographic Markets

Approximately 67% of PSS' revenue is derived from the U.S. and 33% from international sources.

PSS is headquartered in Santa Monica and has a branch office in Seattle (WA).

PSS conducts direct sales in the U.S., Europe, and Israel. PSS uses a trading company in the Far East/Orient.

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COMPANY BRIEF

Cross Industry: Systems Software

Pro Computer Sciences Inc.
P.O. Box 30770
Laguna Hills, CA 92654-0770
(714) 472-0250

CEO: Sushil Garg, President
Private Company
Founded: 1981

Employees: 90 (12/86)
Revenue (FYE 12/31/86): $5-10 million*

The Company: Pro Computer Sciences Inc. markets a fourth generation language developed for most major computer systems

Sources of Revenue:
- Systems Software (100%)

Key Products:
- Systems Software (Utilizes IBM, DEC, Honeywell, Prime, Stratus, and UNIX-based computers, including AT&T, Zilog, Plexus, and Motorola)
 - PRO-IV is a fourth generation language/production application generator designed for use by data processing professionals in all industries. PRO-IV is menu driven, structured, and interactive, and is used to develop, modify, and maintain vertically and horizontally transportable business applications.

Target Industries:
- Cross industry (100%)

Geographic Markets:
- Sells to U.S., Japan, Australia, New Zealand, and other countries directly and through dealers and VAR and OEM agreements.
- The company's European affiliate sells to Europe, Africa, and the Middle East

*Company estimate

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COMPANY BRIEF

Primary Industry-Specific Market: Manufacturing

Professional Computer Resources, Inc.
2 Midamerica Plaza
4th Floor
Oak Brook Terrace, IL 60181
(312) 954-3600

CEO: J. F. Carr, President
Private Company
Founded: 1975

Employees: 140 (7/86)
Revenue (FYE 12/31/85): $22 million

The Company: Provides application software for manufacturing and distribution markets

Sources of Revenue:
- Application Software (85%)
- Turnkey Systems (15%)

Key Products:
- Application Software Products (Utilizes IBM System/38)
 - Integrated MRP II
 - Shop Floor Scheduling
 - General Accounting
- Turnkey Systems (Utilizes IBM System/38)
 - Integrated MRP II system

Target Industries:
- Discrete Manufacturing
- Distribution

Geographic Markets:
- U.S. (80%) and Non-U.S. (20%)
- Sales Offices: Oak Brook, Atlanta, Minneapolis, Dallas, Teaneck (NJ), San Francisco, Los Angeles

Significant Events:
- Marketing agreement signed with international software distributor

Other:
- PCR is an IBM System/38 Value Added Distributor

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COMPANY HIGHLIGHT

PROFESSIONAL HOSPITAL SERVICES
12960 Coral Tree Place
Los Angeles, CA 90066
(213) 821-2323

Revell B. Lamprecht, President
Wholly Owned Subsidiary of American Medical International
Total Employees: 100
Total Revenues, Fiscal Year End 8/31/79: $6-7 million*

THE COMPANY

- Professional Hospital Services (PHS) was founded in 1973 by American Medical International (AMI).
 - AMI is in the business of providing health care via 52 AMI owned hospitals, six managed hospitals, and seven hospitals it is developing for ownership or management. AMI also provides a broad range of specialized services to non-AMI hospitals and other health care organizations. Today, over 400 communities on six continents are using AMI hospitals and/or services.
- PHS currently provides computerized financial information and cost control systems for hospital business operations.
- INPUT estimates that PHS had revenues of between $6 million and $7 million in fiscal year 1979. Of this, between $2.4 million and $3.5 million was derived from its parent, AMI. 1980 revenues are expected to exceed $8 million.
- PHS offers distributed data processing to hospitals. Competitors of the shared system aspect of its services are Shared Medical Systems and McDonnell Douglas Automation (MCAUTO). Turnkey systems competitors include SAI and HDS, in addition to hardware manufacturers such as IBM, NCR, and Burroughs.
- There are approximately 100 PHS employees with the following functions:

- Marketing/sales	5
- Software services/customer support	45
- Computer operations	30
- General and administrative	20
	100

* INPUT estimate

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KEY PRODUCTS AND SERVICES

- One hundred percent of PHS' revenues are generated by the installation of distributed data processing systems, which provide financial information and cost control for hospitals.
 - PHS has between 70 and 75 clients, approximately 25 of which are not related to the parent.
 - Customer cost is based on a "patient day" unit and ranges from $1.75 to $2.25 per patient day.
- PHS installs NCR (8200 family) or Data General Eclipse (Models C150, C350, or M600) interactive minicomputers for a hospital's daily processing and billing needs. The minicomputers are connected via dial-up lines to an IBM 370/155 located at the PHS Marina del Rey (CA) data center. The PHS mainframe handles batch, high volume processing, with output offered on both microfiche and hard copy.
- PHS offers the following proprietary financial software developed by AMI:
 - PATCOM is an interactive patient accounting system that operates on the user site minicomputer. Through this capability, the hospital benefits by immediate validation, editing, and updating of patient information.
 - Applications available include: Patient profile and census subsystem, revenue subsystem, insurance verification, on-line admitting, and registration and demand billing. Patients can be admitted from an on-line history file which stores demographic information about the patient as well as a financial history of each visit. A subset of this information is also passed to the shared mainframe for receivables aging and data mailer processing.
 - Patient profiles and accounts receivable information are available from CRT terminals located throughout the hospital. (This information is also available on microfiche.)
 - FINPAC is a financial reporting and analysis system designed for hospital accounting.
 - It includes budgeting, monthly performance reporting by department, and detailed, analytical financial reports capabilities.
 - FINPAC interfaces with PATCOM, ACCOUNTS PAYABLE system, and PALMS (Payroll and Labor Management) to create a general ledger.
 - PALMS is the PHS payroll and labor management system.

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- PALMS includes a pre-defined "menu" of typical health care earnings and deductions which define the payroll. The individual hospital has the ability to define earnings and deductions unique to the installation.

- The payroll portion of PALMS generates paychecks, records adjustments, maintains employee records for tax reporting, and accrues and adjusts benefits. It also interfaces payroll accounting data to the general ledger for monthly financial reporting.

- The PALMS system also generates Labor Management Reports. These reports are used by the hospital administrator and department heads to evaluate the hospital's staffing against normally required ratios for various hospital operations.

- The PHS ACCOUNTS PAYABLE reports system offers control of disbursements to vendors, ability to forecast cash requirements and to schedule future payments and other expenses known in advance, in addition to its monthly automatic interface with the general ledger.

INDUSTRY MARKETS One hundred percent of PHS' revenues are derived from hospitals.

GEOGRAPHIC MARKETS

- PHS does not market its services internationally. But it does have clients in London; Lausanna, Switzerland; Nice, France; and Quito, Ecuador by virtue of its parent's international marketing efforts.

- PHS' U.S. clients are located in the Middle Atlantic, South Atlantic, West, South, Central, Mountain, and Pacific regions. There is some concentration of business in California.

COMPUTER HARDWARE AND SOFTWARE

- PHS has one IBM 370/155 operating under DOS/VSE which is accessed via dial-up lines.

- In addition, PHS has installed over 80 minicomputers including:

 - IBM System 32s.

 - IBM Series 1s.

 - NCR 8200 family.

 - Data General Eclipses.

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COMPANY HIGHLIGHT

Revell B. Langrecht
VP. Systems

PROFESSIONAL HOSPITAL SERVICES
414 North Camden Drive
Beverly Hills, California 90210
(213) 278-4020

John Dutton, President
Wholly-owned subsidiary of American Medical International, Inc., a hospital management company
Total employees: 18
Total revenues, fiscal year end 8/31/77: $340,000*

COMPANY BACKGROUND:

- Professional Hospital Services (PHS) was incorporated as Hospital Management Services in June 1973 by American Medical International, Inc. (AMI) to sell and install management contracts and systems to hospitals. In 1976, the name was changed to Professional Hospital Services, management contract marketing was returned to AMI, and PHS began selling hospital data processing.

- PHS currently provides hospital financial management and medical records systems to 24 external and 46 parent company hospitals. Services include batch processing and on-site minicomputer systems.

OVERALL ASSESSMENT:

- PHS is a relatively young, aggressive, marketing-oriented company dedicated to achieving recognition in the hospital services market. It is committed to obtaining 100 external users by 1980 and is actively competing with Shared Medical Systems and MCAUTO.

- PHS services and systems were developed and funded by AMI. By avoiding development costs, PHS is able to price its systems more competitively than some of its competitors. The systems include user training, minicomputer installation and maintenance, and file and forms conversion.

- PHS claims a competitive advantage in a staff which is trained and experienced in hospital management, as well as in data processing. It has a competitive disadvantage in not being well known in the marketplace yet. However, it is aggressively advertising and marketing its services through direct mail advertisements, seminars, conventions, and proposals.

*Estimate by Professional Hospital Services

KEY PRODUCTS AND SERVICES:

- All PHS revenues are derived from batch services to its 24 external user hospitals. No revenues are derived from processing its parent company hospitals. AMI bills these hospitals directly for the services.

- PHS key products include:

 - PATCOM, patient accounting/billing/receivables; RAPID RESPONSE, payroll and labor management; ACCOUNTS PAYABLE; and FINPAC, financial reporting/general ledger. These services generate 70% of PHS revenues, have 2 external and 46 parent hospital users, and cost $1.80 per patient day per service.

 - The remaining 30% of revenues are generated by STAT MEDI-DATA, a medical records/UR/PSRO reporting system with 22 independent and 42 parent hospitals. It is priced at $.29 to $.54 per discharge.

- The PATCOM service price includes an on-site IBM System 32 which generates daily balance and receivables reports for the hospital and diskettes sent to PHS as file updates. By summer 1977, PHS will also be offering an automatic in-house minicomputer interface between patient accounting (PATCOM) and medical records (STAT MEDI-DATA).

APPLICATIONS: One hundred percent of PHS revenues are derived from specialty applications: financial management and medical records management for hospitals. PHS will not be entering the clinical applications environment in the foreseeable future.

INDUSTRY MARKETS: All PHS clients are hospitals.

GEOGRAPHIC MARKETS: The majority of PHS hospital users are located in the Pacific States. By 1978, however, PHS projects a greater penetration of other geographic areas, as shown below:

REGION	1976	1978
Pacific	46%	20%
South Central	32%	20%
Southeast	14%	20%
International (Europe, South America)	6%	20%
Midwest	1%	10%
North Central	1%	10%

COMPUTER HARDWARE AND SOFTWARE:

- PHS utilizes the following equipment in its Manhattan Beach, California computer center:
 - IBM 360/30 DOS
 - 8 Telex 8 megabyte disc drives
 - 4 Telex 800/1600 BPI tape drives
 - 1 IBM 1403 line printer
- In addition, PHS currently owns 45 standalone IBM System 32s which are located in hospitals for its PATCOM service.

COMPANY BRIEF

Primary Industry-Specific Market: Printing and Publishing

Profit Control Systems
45 Route 46 East
P. O. Box 666
Pine Brook, NJ 07058
(201) 227-8500

CEO: Karl Hendrick-Bang, Vice President
Subsidiary of: Heidelberg Eastern, Inc., which is a division of The East Asiatic Company, Inc. (Copenhagen, Denmark)
Founded: 1974

Employees: 150 (10/86)
Revenue (FYE 12/31/85): $12-15 million

The Company: Develops and markets turnkey systems for the graphic arts industry

Sources of Revenue:
- Turnkey Systems (95%)
- Professional Services (5%)

Key Products and Services:
- Turnkey Systems (Utilizes IBM System/36 minicomputers)
 - Printing operation management system
 - Shop floor data collection system
- Professional services
 - Consulting services

Target Industry:
- Printing and publishing
- In-house printing plants at large companies

Geographic Markets:
- U.S. and Non-U.S.
- Sales Offices: Pine Brook (NJ), Atlanta, Boston, Chicago, Dallas, Los Angeles, Minneapolis, New York, San Francisco

Significant Events:
- In 1985, purchased Stewart Systems Corporation, a competitor with more than 200 customers using "Point Four" minicomputer-based printing management systems

Other:
- Profit Control Systems is an IBM System/36 Value Added Remarketer

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PROFITKEY INTERNATIONAL, INC.
382 Main Street
Salem, NH 03079
(603) 898-9800
(800) 331-2754
FAX (603) 898-7554

Richard T. Lilly, Chairman
Private Corporation
Total Employees: 100
Total Revenue, Fiscal Year End
9/30/90: $11,000,000*

*INPUT estimate

The Company

ProfitKey International, Inc. (PKI), founded in 1979, develops, markets, and supports proprietary manufacturing control software systems for the discrete manufacturing industry, including manufacturers who make products wholly or partly to order.

PKI is an IBM Industry Remarketer, an NCR Cooperative Marketing Reseller, and a software supplier for HP, DEC, and Unisys.

INPUT estimates PKI's fiscal 1990 revenue was $11 million, a 10% increase over fiscal 1989 revenue of $10 million.

As of September 30, 1990, PKI had 100 employees. The company currently has approximately 100 employees.

Key Products and Services

Approximately 75% of PKI's fiscal 1990 revenue was derived from applications software products and 25% from turnkey systems.

PKI software products are designed for discrete manufacturers that make products to order, to stock, or some combination of both. Often they are the suppliers of other manufacturers.

- PKI's software products run on various multiuser computers under versions of UNIX , XENIX, VMS, AIX, and HP-UX, including IBM PS/2, RT, RT/6000, and AS/400 systems, HP 9000, NCR Tower, DEC VAX and MicroVAX, and Unisys 5000 and larger systems.
- Software prices range from $15,000 to over $100,000, depending on the modules purchased and the number of users.
- Over 700 users have implemented ProfitKey software in the U.S. and Canada.

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PKI offers three modular manufacturing control systems that allow users to track, control, and estimate costs of complex jobs; schedule and reschedule to a single due date; manage within a capacity plan; and deliver quality products on time. PKI systems include the following:

- The ProfitKey Custom Manufacturing System is targeted to companies that make multilevel products to customer order and those that require both make-to-stock and make-to-order manufacturing operations.
 - The system's core module includes job definition and inquiry, job costing and tracking, inventory control, product engineering, material planning, order entry/shipping and invoicing, and job/shop order scheduling.
 - Optional modules include capacity scheduling and rescheduling, estimating, purchasing, financials (general ledger, accounts payable, accounts receivable, and payroll), sales analysis, serial number tracking, master scheduling, regenerative MRP, statistical forecasting, report writing, bar code data collection, and upload/download.
- The ProfitKey Job Shop System is targeted to companies that make single-level parts to customer order.
 - The core system includes job definition and inquiry, job costing and tracking, inventory control, and job scheduling.
 - Optional modules include estimating, order entry/shipping and invoicing, purchasing, financials, sales analysis, serial number tracking, bar code data collection, report writing, capacity scheduling and rescheduling, and upload/download.
- The ProfitKey Traditional Manufacturing System is targeted to companies that make multilevel parts or assemblies or complete products, and that plan, purchase, stock, manufacture, and ship from inventory.
 - The core system includes product engineering, material planning and inventory control, and shop order scheduling.
 - Optional modules are available for master scheduling, regenerative MRP, shop floor control, statistical forecasting, capacity scheduling and rescheduling, order entry/shipping and invoicing, financials, sales analysis, purchasing, report writing, bar code data collection, and upload/download.

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ProfitKey Software Protection includes software warranty, enhancements, software upgradability, twelve-hour telephone and modem support from the Customer Services Department, and access to the ProfitKey User Group.

ProfitKey Implementation Support Services include pre-implementation planning, hardware and software installation, classroom instruction (either at PKI regional education centers or on-site), as well as on-site application support and consulting.

Industry Markets

One hundred percent of PKI's revenue is derived from discrete manufacturers.

PKI software products are designed for discrete manufacturers that make products to order, to stock, or some combination of both. Often they are the suppliers of other manufacturers.

The company targets its products to companies with SIC codes of 25xx and 34xx-39xx.

Geographic Markets

An estimated 90% of PKI's fiscal 1990 revenue was derived from the U.S. and 10% from Canada.

PKI's U.S. offices are located in Salem (NH), Chicago, Cleveland, Houston, and Philadelphia, and in North Carolina, Michigan, Northern California, and Southern California. The company also has Canadian offices in Quebec and Ontario.

Regional education centers are located in the company's offices in Salem, Santa Clara (CA), Chicago, and Cleveland.

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PROFITKEY INTERNATIONAL, INC.
382 Main Street
Salem, NH 03079
(603) 898-9800
(800) 331-2754

Richard T. Lilly, Chairman
Private Corporation
Total Employees: 105 (2/90)
Total Revenue, Fiscal Year End
9/30/89: $10,000,000*

*INPUT estimate

The Company

ProfitKey International, Inc. (PKI), founded in 1979, develops, markets, and supports proprietary manufacturing control software systems for the discrete manufacturing industry, including manufacturers who make products wholly or partly to order.

PKI is an IBM Industry Remarketer, an NCR Cooperative Marketing Reseller, and a software supplier for HP, DEC, and Unisys.

As of September 30, 1989, PKI had 95 employees. The company currently has approximately 105 employees.

Key Products and Services

Approximately 75% of PKI's fiscal 1989 revenue was derived from applications software products and 25% from turnkey systems.

PKI software products are designed for discrete manufacturers that make products to order, to stock, or some combination of both. Often they are the suppliers of other manufacturers.

- PKI's software products run on various multiuser computers under versions of UNIX , Xenix, VMS, AIX, and HP-UX, including IBM PS/2, RT, and AS/400 systems, HP 9000, NCR Tower, and Unisys 5000 and larger systems.
- Software prices range from $15,000 to over $100,000, depending on the modules purchased and number of users.
- Over 600 users have implemented ProfitKey software in the U.S. and Canada.

PKI offers three modular manufacturing control systems that allow users to track, control, and estimate costs of complex jobs; schedule and reschedule to a single due date; manage within a

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capacity plan; and deliver quality products on time. PKI systems include the following:

- The ProfitKey Custom Manufacturing System is targeted to companies that make multilevel products to customer order and those that require both make-to-stock and make-to-order manufacturing operations.
 - The system's core module includes job definition and inquiry, job costing and tracking, inventory control, product engineering, material planning, order entry/shipping and invoicing, and job/shop order scheduling.
 - Optional modules include capacity scheduling and rescheduling, estimating, purchasing, financials (general ledger, accounts payable, accounts receivable, and payroll), sales analysis, serial number tracking, master scheduling, regenerative MRP, statistical forecasting, report writing, bar code data collection, and upload/download.
- The ProfitKey Job Shop System is targeted to companies that make single-level parts to customer order.
 - The core system includes job definition and inquiry, job costing and tracking, inventory control, and job scheduling.
 - Optional modules include estimating, order entry/shipping and invoicing, purchasing, financials, sales analysis, serial number tracking, bar code data collection, report writing, capacity scheduling and rescheduling, and upload/download.
- The ProfitKey Traditional Manufacturing System is targeted to companies that make multilevel parts or assemblies or complete products, and that plan, purchase, stock, manufacture, and ship from inventory.
 - The core system includes product engineering, material planning and inventory control, and shop order scheduling.
 - Optional modules are available for master scheduling, regenerative MRP, shop floor control, statistical forecasting, capacity scheduling and rescheduling, order entry/shipping and invoicing, financials, sales analysis, purchasing, report writing, bar code data collection, and upload/download.

ProfitKey Software Protection includes software warranty, enhancements, software upgradability, twelve-hour telephone and

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modem support from the Customer Services Department, and access to the ProfitKey User Group.

ProfitKey Implementation Support Services include pre-implementation planning, hardware and software installation, classroom instruction (either at PKI regional education centers or on-site), as well as on-site application support and consulting.

Industry Markets

One hundred percent of PKI's revenue is derived from discrete manufacturers.

PKI software products are designed for discrete manufacturers that make products to order, to stock, or some combination of both. Often they are the suppliers of other manufacturers.

- The company targets its products to companies with SIC codes of 25xx and 34xx-39xx.

Geographic Markets

An estimated 90% of PKI's fiscal 1989 revenue was derived from the U.S. and 10% from Canada.

PKI's U.S. offices are located in Salem (NH), Chicago, Cleveland, Houston, and Philadelphia, and in North Carolina, Michigan, Northern California, and Southern California. The company also has Canadian offices in Quebec and Ontario.

Regional education centers are located in the company's offices in Salem, Santa Clara (CA), Chicago, and Cleveland.

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COMPANY BRIEF

Primary Industry-Specific Market: Manufacturing

Profitkey International, Inc.
200 Prestige Park
Salem, NH 03079
(603) 898-9800

CEO: Robert MacDonald, President
Private Company
Founded: 1979

Employees: 92 (7/86)
Revenue (FYE 9/30/85): $5.6 million

The Company: Provides turnkey systems and application software for discrete manufacturing market

Sources of Revenue:
- Turnkey Systems (75%)
- Application Software (25%)

Key Products and Services:
- Application Software Products (Utilizes UNIX/Xenix operating system and Zilog System 8000; AT&T 3B1, 3B2, 3B5, 3B10; NCR Tower; IBM PC/XT/AT computers)
 - Job Shop
 - Discrete Manufacturing
- Turnkey Systems (Utilizes UNIX/Xenix operating system-based computers)
 - Custom Manufacturing System

Target Industries:
- Metalworking
- Screw Machine Shops

Geographic Markets:
- U.S. and Canada
- Sales Offices: Chicago, Cleveland, Atlanta, Dallas, Los Angeles, San Francisco

Other:
- Formerly Key Systems, Inc.; re-incorporated in June 1985 as Profitkey International, Inc.

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Dropped
Wayne Phenix
Controller

COMPANY HIGHLIGHT

PROGRAMS AND ANALYSIS, INC.
21 Ray Avenue
Burlington, MA 01803
(617) 272-7723

Paul J. Brighton, President
Public corporation
Total employees: 120
Total revenues, fiscal year end 11/30/76: $3.5 million

THE COMPANY

- In 1968, Programs and Analysis, Inc. (P&A), formerly Puritan Fashions Corporation's data processing arm, spun off to become a publicly held subsidiary. Puritan controlled 74% of P&A stock and generated 53% of P&A revenues in 1976.

- In 1975 P&A acquired the customer base and software of Compunetics, a company performing data processing for hotels, restaurants, and trade unions.

- P&A provides batch processing and remote computing services to approximately 150 external users, principally manufacturers and wholesale distributors.

- Traditionally P&A has offered a broad range of business applications. However, it recently began to target specific application and industry specializations. These include sales analysis for bottle distributors with on-site minicomputers and business processing for trade unions and state government agencies. (P&A is negotiating a Telecommunications Service Procurement agreement with GSA.)

- P&A is attempting to determine its most effective sales approach. In the past clients have primarily been acquired by referral or acquisition.

 - Recently P&A has experienced some success in marketing through CPA firms. P&A management views this as a good marketing opportunity.

 - Direct mail and advertising campaigns have produced limited results in the New England market.

- Primary competitors are in-house small business systems, Itel, and Automatic Data Processing.

- P&A's period of highest earnings was in 1973 when it produced $.26 per share earnings. This decreased to $.18 per share in 1974 and $.10 per share in 1975.
 - In 1974 and 1975 the development of its "Thrift-Line" business applications package increased expenses significantly.
 - P&A lost 2 major contracts in 1975 and 1976:
 - In 1975 New England Telephone migrated to an in-house mainframe, cutting P&A revenues by 26%.
 - In 1976 Compugraphics migrated to an inhouse mainframe, reducing P&A revenues by 16%.
 - Lost revenues were replaced by additional revenues from trade unions and other Puritan subsidiaries. This resulted in an increase in the percentage of revenues derived from the parent from 49% in 1975 to 53% in 1976.
 - Despite the loss of major contracts in 1975 and 1976, P&A showed net profit of $100,000 in 1975 and $92,000 in 1976.
- P&A seeks the purchase of customer bases as a means of expansion.

KEY PRODUCTS AND SERVICES

- P&A revenues are evenly split between batch processing and remote computing.
 - Ten percent of external, remote computing revenues are generated by applications oriented interactive services to small Boston companies.
 - Batch processing includes keypunch and key-to-disk data entry.
 - P&A is attempting to decrease data entry costs by installing terminals for online data entry at client locations. Output is generally on P&A's high speed terminals.
- In 1976, P&A services included:
 - Thrift-Line, a standardized financial reporting system marketed in the Boston area.
 - Mail order distribution package.

- Work schedule and control for utilities.
- Garment industry piece-work payroll, order entry, invoicing, and cash application processing (originally developed for Puritan).
- Integrated trade union information and accounting system.
- General business data processing.

- In 1977 P&A will install minicomputer-based turnkey systems for bottle distributors. Users will do invoicing, accounts receivable, and data capture for sales analysis. Results will be sent to P&A offline for processing.

APPLICATIONS P&A performs general business applications processing. These include cost accounting, sales analysis, general ledger, accounts receivable, accounts payable, order entry, payroll, personnel, and inventory control applications. Although P&A has a library of scientific, as well as business applications, the scientific applications are rarely accessed.

INDUSTRY MARKETS

- In 1976, 53% of P&A revenues were derived from the parent company, a garment manufacturer and distributor.
- Other industry revenues are derived from manufacturers, retail distributors, state government agencies, and mail order houses.
- P&A is targeting bottle distributors, other garment manufacturers, federal government agencies, and trade unions for additional industry revenues.

GEOGRAPHIC MARKETS

- All of P&A's external revenues are generated by users in the New England and Northeast regions: Masschusetts, New Hampshire, Connecticut, New York, Maine, and Pennsylvania. It services other Puritan subsidiaries in New York, Massachusetts, Pennsylvania, Alabama, South Carolina, and Florida.

- Targeting bottle distributors and garment manufacturers as sources of external revenues will increase the revenues derived from the Southeast.

COMPUTER HARDWARE AND SOFTWARE

- P&A currently uses a Honeywell 6000 Series, and IBM 360/30 and 360/50 mainframes. Harris/Cope 1200s function as communications controllers.

- P&A supplies Puritan offices with Harris/Cope 1200 terminals. External users supply their own terminals.

- The network consists of dial-up and leased lines at speeds of 300 to 9600 baud. The 9600 baud leased line is split into several lower speed lines.

COMPANY BRIEF

Cross Industry: Professional Services

Program Science Inc. (PSI)
470 Main Street
Ridgefield, CT 06877
(203) 438-9966

Mauro A. Cetra, President
Private Corporation

Revenue (FYE 12/31/86): $2.3 million*

The Company:

- PSI is a professional services firm. It became an Electronic Data Interchange (EDI) specialist through its maintenance agreement for the defunct ESCORT system managed by Control Data Corporation for the electronics industry.

- The relationship has continued. PSI developed CDC's Redinet EDI service and provides technical support to Redinet customers.

Key Products and Services:

- Since December 1985, PSI has offered X-Change microcomputer software for IBM PCs and compatibles which provides industry standard translation for EDI.

 - The software is menu driven with help screens, asychronous communications, and will support bisynchronous communications with the addition of optional file import and export facilities.

 - The company will package its software and a micro for under $10,000. It believes companies should initiate EDI with micros before installing mini or mainframe systems which interface with other applications, a time consuming and often difficult process.

 - The company also developed and markets a computer assisted instruction (CAI) course called Redi-Set-Go! which covers the reasons for using EDI, ANSI X.12 standards, and communications. The package includes starter programs for sending and receiving data.

*INPUT estimate

November 1986

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IT2000

INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

June 1994

Progress Software Corporation

President & Director: Joseph Alsop
14 Oak Park
Bedford, MA 01730
Phone: (617) 280-4000
Fax: (617) 280-4095

Status:	Public
Employees:	845 (11/93)
Revenue:	$ 111,639,983
Fiscal Year End:	11/30/93

Key Points

- Progress is a supplier of application development systems to business, government and industry.
- Fiscal 1993 revenue reached $111.6 million, a 31% increase over that of 1992.
- In June 1993, the company introduced Version 7 of its PROGRESS Application Development Environment, an advanced platform-independent GUI development tool.
- In 1993, in an effort to reinforce its commitment to providing support and service, the company opened three new training and consulting centers in Chicago, San Francisco and Washington, D.C.
- In June 1993, Progress Software announced the establishment of its Application Partners Program that expands upon and replaces the company's Partners in Progress program.
- In November 1993, Progress Software joined IBM's Market Development Program. The two companies agreed to engage in promotional marketing activities.

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Company Description

Progress Software Corporation develops, markets and supports application development and database management software for business, government and industrial use worldwide.

- The company was founded in 1981 as Data Language Corporation. In November 1987, the company changed its name to Progress Software Corporation in order to identify itself more closely with its primary product offering.
- The company's principle product is PROGRESS®, available on all major mid-range, PC and client/server platforms.

Structure and Operations

Progress Software has U.S. sales offices in Los Angeles and San Francisco (CA), Denver (CO), Boca Raton and Jacksonville (FL), Atlanta (GA), Chicago (IL), Bedford (MA), Detroit (MI), Minneapolis (MN), St. Louis (MO), Iselin (NJ), New York and Syracuse (NY), Chapel Hill (NC), Dallas (TX), Seattle (WA) and Washington (D.C.)

Canadian sales offices are in Calgary, Alberta; and Ottawa and Toronto, Ontario.

International subsidiaries are in Australia, Austria, Belgium, Denmark, Finland, France, Germany, Mexico, the Netherlands, Norway, Singapore, Spain, Sweden, Switzerland and the U.K.

Distributors are in Argentina, Brazil, Columbia, Costa Rica, Czech Republic, Ecuador, Greece, Hong Kong, Hungary, Iceland, India, Indonesia, Israel, Italy, Korea, New Zealand, Philippines, Poland, Portugal, Saudi Arabia, Serbia, South Africa, Taiwan, Thailand, Turkey and Venezuela.

Company Strategy

The company's mission is to provide software technology and services to improve application development productivity and quality. Its strategy includes:

- Improving developer productivity
- Portability for developers and users
- Distributed computing capability
- Balanced distribution
- Recurring revenue
- Worldwide market
- Customer support

Although Progress Software sells a complete relational DBMS, the company is focusing on the application development tools market. The company tends to focus more on selling to individual lines of business within a large organization, as individual departments require more customized applications.

The company's primary distribution focus is on its value-added resellers (VARs)—called Application Partners. The company has 2,300-plus software partners as part of the Application Partners program. Distribution and pricing strategies are intended to generate recurring revenue.

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Financials

Total fiscal 1993 revenue reached $111.6 million, a 31% increase over fiscal 1992 revenue of $85.0 million.

Net income rose 34%, from $9.6 million in fiscal 1992 to $12.9 million in fiscal 1993.

A five-year financial summary follows:

Progress Software Corporation
Five-Year Financial Summary
($ millions, except per share data)

	Fiscal Year				
Item	11/93	11/92	11/91	11/90	11/89
Revenue	$111.6	$85.0	$58.3	$40.1	$25.4
• Percent increase from previous year	31%	46%	45%	58%	65%
Income before taxes	$19.8	$15.0	$9.5	$5.9	$3.3
• Percent increase from previous year	32%	58%	61%	79%	106%
Net income	$12.9	$9.6	$6.1	$3.8	$2.2
• Percent increase from previous year	34%	57%	61%	73%	100%
Earnings per share	$2.00	$1.50	$1.05	$0.74	$0.46
• Percent increase from previous year	33%	43%	42%	61%	53%

The growth in the company's fiscal 1993 revenue was due primarily to an increase in software license revenue and, to a lesser extent, to increased revenue from maintenance and support services.

Research and development expenditures were approximately $15.3 million (14% of revenue) in fiscal 1993, compared to $13.1 million (15% of revenue) in fiscal 1992, and $7.4 million (13% of revenue) in fiscal 1991.

Interim results: Revenue for the three months ending February 28, 1994 reached $31.1 million, a 24% increase over $25.0 million for the same period in 1993. Net income for the period rose 7%, from $2.9 million to $3.1 million in 1994.

Market Financials

The primary markets for Progress Software's products include VARs, MIS professionals, government agencies and independent software developers and consultants that develop transaction-oriented business applications.

Over 50% of Progress Software's worldwide revenues are derived from serving more than 2,300 Application Partners (APs) who market PROGRESS-based applications. The company has shipped more than 200,000 licenses of its flagship product, the PROGRESS 4GL/RDBMS.

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Revenue Analysis by Product Line:

Approximately 66% of Progress Software's fiscal 1993 revenue was derived from software product sales and 34% from software maintenance and support services.

A three-year summary of source of revenue follows:

Progress Software Corporation
Three-Year Source of Revenue Summary
($ Millions)

	Fiscal Year					
	11/93		11/92		11/91	
Products/Services	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
Software licenses	$73.6	66%	$57.9	68%	$40.5	69%
Maintenance and support services	38.1	34%	27.2	32%	17.8	31%
Total	$111.6	100%	$85.0	100%	$58.3	100%

Geographic Markets

Approximately 43% of Progress Software's fiscal 1993 revenue was derived from North America, 42% from Europe, 8% from other international sources and 7% from export sales from the U.S.

Channels of distribution include direct sales and through value-added resellers (VARs) worldwide.

A three-year geographic source of revenue summary follows:

Progress Software Corporation
Three-Year Source of Revenue Summary
($ Millions)

	Fiscal Year					
	11/93		11/92		11/91	
Item	Revenue $	Percent of Total	Revenue $	Percent of Total	Revenue $	Percent of Total
North America	$48.1	43%	$34.6	41%	$25.5	44%
Europe	47.2	42%	39.9	47%	26.6	46%
Other	8.5	8%	4.4	5%	2.6	4%
Export sales from U.S.	7.8	7%	6.1	7%	3.5	6%
Total	$111.6	100%	$85.0	100%	$58.3	100%

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Employees

As of fiscal year ending November 30, 1993, Progress Software had approximately 845 employees, segmented as follows:

Marketing and sales	344
Customer support	183
Product development	175
Administration	143
	845

- The company currently has over 900 employees.

Key Products and Services

Products

PROGRESS is the company's principal product. It is an integrated environment for developing and deploying mission-critical applications that are scalable, portable and reconfigurable across a range of computing environments.

PROGRESS is made up of three architectural components—PROGRESS Application Development Environment (ADE), PROGRESS DataServer Architecture and PROGRESS RDBMS.

- PROGRESS ADE is an integrated set of 4GL GUI-based tools for designing, implementing, testing and deploying GUI and character-based applications for client/server and host-based systems. It consists of the following components:
 - PROGRESS 4GL is a high-level application development language that incorporates ANSI standard SQL.
 - PROGRESS Data Dictionary manages the structure of the RDBMS and provides Application Language access to the database.
 - User Interface Builder is a tool for building applications.
 - Application Debugger is designed to help developers trace the flow of the application execution.
 - Application HELP development feature allows developers to develop and integrate help messages into applications.
 - Report Builder is a graphical report writer for professional developers.
 - Translation Manager automates the localization of applications for multiple languages.
 - Procedure Editor is a text editor that allows a programmer to graphically edit several 4GL programs simultaneously.
 - PROGRESS RESULTS is a user data access and reporting tool that allows transparent access to heterogeneous data.
- PROGRESS DataServer Architecture is a set of services and interfaces that allows PROGRESS applications access to a wide range of database management systems and file systems.

 DataServers are available for the following database and file managers—Oracle, Sybase, RMS, Rdb/VMS, C-ISAM, CT-ISAM, Object Store, DB2, HP

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Allbase and ODBC in PROGRESS Version 6.

- PROGRESS RDBMS is a relational database management system that provides support for SQL.

PROGRESS/400 is a version of the company's application development environment for models in the IBM AS/400 product line.

It is made up of three products:

- PROGRESS/400
- PROGRESS/400 4GL
- PROGRESS/400 Run-Time

In June 1993, the company introduced Version 7 of PROGRESS ADE that supports the development and deployment of graphical user interface (GUI) and character applications, and is designed for organizations moving toward client/server and open systems.

Professional Services

Progress Software provides technical support to application developers and users via the telephone. The company also provides consulting services and training courses worldwide. In 1993, Progress Software trained more than 6,000 application developers in North America.

In 1993, in an effort to reinforce the company's commitment to providing support and service, three new training and consulting centers were opened in Chicago, San Francisco and Washington, D.C. The company is also expanding the training facility at its Bedford (MA) headquarters.

The company offers an annual maintenance service to customers. On purchase of this service, they are entitled to software updates, technical support and technical bulletins.

Marketing and Sales

Progress Software sells its products through its direct sales force in the U.S., Canada and 15 other countries and independent distributors in 28 countries outside North America.

As of November 30, 1993, the company had 44 field sales personnel in 20 sales offices in North America and 62 field sales personnel in 24 offices outside North America.

The company uses telephone sales and sales administration groups to enhance its direct sales efforts and generate follow-on business from existing customers.

Marketing efforts are geared toward conducting extensive marketing programs that include public relations, direct mail, trade shows, advertising, production of collateral literature and sponsoring of user conferences in the U.S., Europe and the Pacific Rim.

Clients

The company's customers include Application Partners and MIS departments of corporations and government agencies.

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Progress Software obtains follow-on revenue as the Application Partner licenses copies of PROGRESS deployment products to permit its application to be installed and used by customers.

The company also licenses PROGRESS to MIS departments of corporations, government agencies and other organizations to build applications.

Alliances

During the past two years, the company entered into the following alliances:

- In November 1993, Progress Software joined IBM's Market Development Program. The two companies agreed to engage in marketing activities, including advertising, trade shows, seminars and the development of product brochures, to promote the PROGRESS ADE to RISC System/6000 users in the U.S.

- In July 1993, Progress Software entered into an agreement with Santa Cruz Operation (SCO) to optimize software performance between the PROGRESS ADE and the SCO operating system products. The two companies also agreed to establish support programs through trade shows, publicity and other marketing activities.

- In July 1993, Progress Software entered into a marketing agreement with Unisys Corporation. Unisys agreed to promote Version 6 of the PROGRESS ADE to CTOS users and prospects on a non-exclusive basis.

- In June 1993, Progress announced the formation of its Application Partners Program. The program was designed to enhance Progress's family of 2,300-plus Software Partners worldwide by providing materials and expertise to support their marketing and sales efforts. The program expands upon and replaces the company's Partners in Progress program.

Competition

Progress Software competes with relational database vendors that offer application development tools, and vendors of computer-aided software engineering (CASE) tools.

The company's major database competitors include Informix Software, Sybase, Ingres Corporation (a subsidiary of Computer Associates) and Oracle Corporation.

The company also competes with leading tool vendors such as PowerSoft and Gupta.

INPUT Assessment

Progress Software's greatest strength is its development environment. It offers a comprehensive set of development tools that are tightly integrated with its database management system as well as those from other leading database vendors. This gives the company the opportunity to become a significant player in the cross-platform applications development arena.

Progress Software has always focused on its Application Partners. The company's success, to some extent, depends on the success of its Application Partners and its

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ability to form new partnerships in the future.

The challenge the company faces is to promote its strengths and gain more recognition in markets other than its Application Partners, such as MIS professionals, independent developers and consultants among others.

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PROGRESS SOFTWARE CORPORATION
14 Oak Park
Bedford, MA 01730
(617) 275-4500

Joseph W. Alsop, President
Public Corporation, NASDAQ
Total Employees: 452
Total Revenue, Fiscal Year End
11/30/91: $58,299,940

The Company

Progress Software Corporation develops, markets, and supports application development systems software tools for minicomputers, microcomputers, and workstations. The company's primary product is PROGRESS®, a fourth-generation language and relational data base management system.

- The company was founded in 1981 as Data Language Corporation. In November 1987, the company changed its name to Progress Software Corporation in order to identify itself more closely with its primary product offering.
- The company's strategy is to provide users with the performance and portability of a hardware-independent and operating system-independent fourth-generation language and relational data base management system.
- In August 1991, Progress Software made an initial public offering of 1.4 million shares of its common stock. Net proceeds to the company were approximately $17.6 million.

Progress Software's fiscal 1991 revenue reached $58.3 million, a 45% increase over fiscal 1990 revenue of $40.1 million. Net income reached $6.1 million, compared to $3.8 million in fiscal 1990. A five-year financial summary follows:

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PROGRESS SOFTWARE CORPORATION
FIVE-YEAR FINANCIAL SUMMARY
($ millions)

	FISCAL YEAR				
ITEM	11/91	11/90	11/89	11/88	11/87
Revenue	$58.3	$40.1	$25.4	$15.4	$6.1
· Percent increase from previous year	45%	58%	65%	151%	33%
Income before taxes	$9.5	$5.9	$3.3	$1.6	$0.1
· Percent increase from previous year	61%	109%	106%	*	N/A
Net income	$6.1	$3.8	$2.2	$1.1	$0.1
· Percent increase from previous year	61%	73%	100%	*	--
Earnings per share	$1.05	$0.74	$0.46	$0.30	$0.04
· Percent increase from previous year	42%	61%	53%	650%	N/A

* *Percent change exceeds 1,000%.*

Progress Software management attributes the company's growth to a 44% increase in software license revenue and a 50% increase in maintenance and support services revenue.

- Software license revenue increased due to the continued acceptance of the company's products, successful sales and marketing efforts, and, to a lesser extent, geographic expansion and the Database Gateway products first introduced in fiscal 1990.

- During fiscal 1991, Progress Software established a subsidiary in Finland and entered into six additional distributor agreements outside North America. Revenue from outside North America rose from $22.9 million in fiscal 1990 to $32.8 million in fiscal 1991.

- Maintenance and support services revenue rose due to growth in the installed customer base.

Revenue for the three months ending February 29, 1992 reached $18.5 million, a 41% increase over $13.1 million for the same period in 1991. Net income increased 35%, from $1.4 million to over $1.8 million. During the quarter, Progress Software introduced and began shipments of PROGRESS/400 for the IBM AS/400, and IBM named Progress Software an IBM Industry Application Specialist.

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Progress Software currently has 452 employees (312 in North America and 140 international), segmented as follows:

Sales/marketing	179
Customer support	119
Product development	91
Administration	63
	452

Major competitors include Informix Software, Ingres Corporation (ASK Computer Systems), and Oracle Corporation.

Key Products and Services

Approximately 69% of Progress Software's fiscal 1991 revenue was derived from software product sales. The remaining 31% of revenue was derived from software maintenance, and education and consulting services. A three-year source of revenue summary follows:

PROGRESS SOFTWARE CORPORATION
THREE-YEAR SOURCE OF REVENUE SUMMARY
($ millions)

	FISCAL YEAR					
	11/91		11/90		11/89	
ITEM	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL	REVENUE $	PERCENT OF TOTAL
Software licenses	$40.5	69%	$28.2	70%	$18.4	73%
Maintenance and support	17.8	31%	11.9	30%	7.0	27%
TOTAL	**$58.3**	**100%**	**$40.1**	**100%**	**$25.4**	**100%**

The company's product line consists of development products, which are used by application developers to design and build applications, and deployment products, which can be used to run the applications on computers other than those on which the applications were developed.

Development Products:

Progress Software's primary software product is the PROGRESS Application Development System, an integrated set of development tools that allows application developers to design, build, and test applications without leaving the PROGRESS development environment.

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- PROGRESS development tools include the PROGRESS 4GL high-level application development language, which incorporates ANSI standard SQL; the PROGRESS RDBMS relational data base management system; the FAST TRACK Application Builder; and the RESULTS query and reporting tool.

- U.S. software pricing varies from $1,125 to over $350,000, depending on the users' hardware platform.

- Over 100,000 licenses of the PROGRESS 4GL/RDBMS have been shipped worldwide.

PROGRESS and users of PROGRESS-based applications can use a range of minicomputers, microcomputers, workstations, and PCs from more than 50 manufacturers.

PROGRESS and PROGRESS-based applications run on a number of operating systems, including UNIX (and all major UNIX offerings), VMS, DOS, OS/2, BTOS/CTOS, and MS-Windows.

PROGRESS will operate across combinations of computers and operating systems that are connected in networks and communicate using various protocols, such as NetBIOS, TCP/IP, DECnet, and Novell SPX/IPX.

Test Drive, a fully functional demonstration version of PROGRESS, is used as a marketing tool, allowing prospective customers to test the functionality and performance of PROGRESS.

Deployment Products:

Progress Software's deployment products are licensed by customers to run PROGRESS-based applications on computers other than those on which the application was developed.

Run-Time versions permit users to execute the compiled application but cannot modify the application or create a new one. Run-Time versions of PROGRESS are typically priced at 15% to 25% of the price of the corresponding 4GL/RDBMS development version.

Query/Report, which includes the RESULTS query and reporting tool, allows users to perform ad hoc queries of their data bases and to create custom reports not supplied with the application, but does not permit modification of the application itself. Query/Report versions of PROGRESS are typically priced at 40% to 60% of the price of the corresponding 4GL/RDBMS development versions.

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Database Gateways allow PROGRESS-based applications to interface with ORACLE and DEC Rdb data bases and DEC RMS and C-ISAM file structures. Progress Software plans to develop gateways to additional data bases in the future.

Progress NLM Server provides enhanced performance to PROGRESS users deploying applications on Novell networks. In November 1991, Progress Software also announced and shipped support for Windows 3.0.

Annual maintenance is available separately for 15% of the current list price of the product.

Progress Software also offers instructional courses and seminars for its software products through its office in Bedford and at various locations in North America and around the world. On-site courses are also available.

The PROGRESS Application Catalog, available from Progress Software or through the company's resellers and distributors, lists companies and the PROGRESS-based applications they have developed for a range of industries. There are currently more than 1,500 commercially available applications worldwide based on PROGRESS.

Industry Markets

The primary markets for Progress Software's products include VARs, MIS professionals, government agencies, and independent software developers and consultants that develop transaction-oriented business applications.

Over half of Progress Software's total revenues are derived from serving more than 1,600 Software Partners who market PROGRESS-based applications.

Geographic Markets

Approximately 44% of Progress Software's fiscal 1991 revenue was derived from North America, 45% from Europe, 5% from Australia, and 6% from export sales from the U.S. A three-year geographical financial summary follows:

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PROGRESS SOFTWARE CORPORATION
THREE-YEAR GEOGRAPHIC FINANCIAL SUMMARY
($ millions)

	FISCAL YEAR					
	11/91		11/90		11/89	
ITEM	$	PERCENT OF TOTAL	$	PERCENT OF TOTAL	$	PERCENT OF TOTAL
Revenue						
North America	$25.5	44%	$17.2	43%	$11.2	44%
Europe	26.6	45%	18.6	46%	11.4	45%
Australia	2.7	5%	1.6	4%	1.2	5%
Exports from U.S.	3.5	6%	2.7	7%	1.6	6%
Total Revenue	**$58.3**	**100%**	**$40.1**	**100%**	**$25.4**	**100%**
Operating Income						
North America	$5.9	69%	$3.5	70%	$2.5	78%
Europe	2.8	33%	1.5	30%	0.9	28%
Australia	0.3	3%	--	--	0.1	3%
(Eliminations)	(0.4)	(5%)	--	--	(0.3)	(9%)
Total Income	**$8.6**	**100%**	**$5.0**	**100%**	**$3.2**	**100%**

Channels of distribution include direct sales and more than 1,600 VARs worldwide.

U.S. offices are in the Atlanta, Boston, Chicago, Dallas, Denver, Detroit, Jacksonville, Los Angeles, Minneapolis, New York, San Francisco, Seattle, St. Louis, and Washington, D.C. metropolitan areas.

Canadian offices are in Ottawa, Toronto, and Vancouver.

International subsidiaries are in Australia, Austria, Belgium, Denmark, Finland, France, Germany, the Netherlands, Norway, Sweden, Switzerland, and the U.K.

Distributors are located in Argentina, Brazil, Czechoslovakia, Greece, Hong Kong, Hungary, Indonesia, Italy, Mexico, New Zealand, the Philippines, Poland, Portugal, Puerto Rico, Singapore, Spain, and Venezuela.

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PROGRESS SOFTWARE CORPORATION
5 Oak Park
Bedford, MA 01730
(617) 275-4500

Joseph W. Alsop, President
Private Company
Total Employees: 350
Total Revenue, Fiscal Year End
11/30/90: $40,100,000

The Company

Progress Software Corporation develops, markets, and supports application development systems software tools for minicomputers, microcomputers, and workstations. The company's primary product is PROGRESS®, a fourth-generation language and relational data base management system.

- The company was founded in 1981 as Data Language Corporation. In November 1987, the company changed its name to Progress Software Corporation in order to identify itself more closely with its primary product offering.

- The company's strategy is to provide users with the performance and portability of a hardware-independent and operating system-independent fourth-generation language and relational data base management system.

In May 1990, Progress Software finalized the acquisition of Intelligent Business Programs (IBP) of Livonia (MI).

- IBP is a PROGRESS value-added reseller that has performed product development services for Progress Software for several years in connection with CTOS/BTOS versions of PROGRESS for Unisys systems. Over 3,000 PROGRESS licenses have been sold in the CTOS/BTOS environment since the company entered this market in 1988.

- IBP's employees are a dedicated resource working with Progress Software's worldwide sales and service organization to identify, capture, and support major CTOS/BTOS sales opportunities.

Progress Software's fiscal 1990 revenue reached $40.1 million, a 58% increase over fiscal 1989 revenue of $25.4 million. Net income rose 73%, from $2.2 million in fiscal 1989 to nearly $3.8 million in fiscal 1990. A five-year financial summary follows:

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PROGRESS SOFTWARE CORPORATION
FIVE-YEAR FINANCIAL SUMMARY
($ millions)

	FISCAL YEAR				
ITEM	11/90	11/89	11/88	11/87	11/86
Revenue	$40.1	$25.4	$15.4	$6.1	$4.6
• Percent increase from previous year	58%	65%	151%	33%	35%
Net income	$3.8	$2.2	$1.1	$0.1	$0.1
• Percent increase from previous year	73%	100%	*	--	N/A

* *Percent change exceeds 1,000%.*

Progress Software management attributes the company's rapid growth to the worldwide acceptance of PROGRESS as an application development system for serious programmers designing "mission-critical" applications.

Progress Software currently has 350 employees (230 North America and 120 international), up from about 220 a year ago.

Major competitors include Informix Software, Ingres Corporation (ASK Computer Systems), Oracle Corporation, and Unify Corporation.

Key Products and Services

INPUT estimates that approximately 70% of Progress Software's fiscal 1990 revenue was derived from software product sales. The remaining 30% of revenue was derived from software maintenance, and education and consulting services. Recurring revenues comprise 50% of the company's business.

Progress Software's primary software product, PROGRESS, is a fourth-generation language (4GL) and relational data base management system (RDBMS) that allows resellers, MIS professionals, government agencies, and independent software developers and consultants to develop transaction-oriented business applications.

- With PROGRESS, programmers can build an application on a microcomputer and deploy it to a multiuser UNIX-based system, or vice versa, without changing a single line of code. PROGRESS can also be deployed in a client server environment.

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- The PROGRESS 4GL/RDBMS is transparently portable across multiple UNIX-based platforms, including XENIX, ULTRIX, AIX, A/UX, and others; MS-DOS; OS/2; VAX/VMS; and CTOS/BTOS operating systems, and is available on hundreds of minicomputers, microcomputers, and workstations. Additional ports will be introduced during the year. The PROGESS 4GL/RDBMS is also portable across TCP/IP, SPX/IPX, DECnet, and NetBIOS network protocols.

- PROGRESS Version 6, introduced in July 1990, opens the product's architecture to alternative data bases, distributed data base capabilities, 3GL access, and popular window managers.

- U.S. software pricing varies from $1,050 to $178,000, depending on the users' hardware platform.

- Over 67,000 licenses of the PROGRESS 4GL/RDBMS have been shipped, supporting over 500,000 users worldwide.

- Subset versions of PROGRESS (Query/Report, Run-Time, and Developer's Toolkit) are also available.

PROGRESS FAST TRACK® is a menu-driven application builder to be used with the PROGRESS 4GL/RDBMS.

- PROGRESS FAST TRACK is available for the same systems that are supported by PROGRESS.

- PROGRESS FAST TRACK consists of a screen painter, report writer, menu editor, and query-by-form generator that enables users to paint screens, write reports, create menus, and generate forms for querying the data base.

- Using "what-you-see-is-what-you-get" techniques, PROGRESS FAST TRACK allows developers to paint the desired result on the screen, choosing fields from pop-up windows, and define their applications through a combination of menu choices, commands, and point-and-pick techniques.

- For users who already own the PROGRESS 4GL/RDBMS, PROGRESS FAST TRACK can be purchased separately at prices ranging from $650 to $56,000, depending on the hardware platform used.

The PROGRESS Application Development System, which consists of the PROGRESS FAST TRACK application builder and the PROGRESS 4GL/RDBMS, ranges in price from $1,500 to $190,000, depending on the hardware platform used.

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Annual maintenance is available for 15% of the current list price of the product, if the maintenance plan is purchased within 90 days of the product purchase date.

- If the maintenance plan is purchased 90 to 180 days after the product purchase, the maintenance fee is 1.5 times higher than the base rate. If purchased between 180 days and one year of the product purchase, the maintenance plan is two times higher than the base rate.

- If maintenance is purchased when the license is first registered with Progress Software, the customer receives 15 months of maintenance for the price of one year.

Progress Software also offers instructional courses and seminars for its software products through its office in Bedford and at various locations in North America. On-site courses are also available.

The PROGRESS Application Catalog, available from Progress Software or through the company's resellers and distributors, lists companies and the PROGRESS-based applications they have developed for a range of industries. There are currently more than 2,000 commercially available applications worldwide based on PROGRESS.

Industry Markets

The primary markets for Progress Software's products include VARs, MIS professionals, government agencies, and independent software developers and consultants that develop transaction-oriented business applications.

Geographic Markets

Approximately 50% of Progress Software's fiscal 1990 revenue was derived from the U.S. and 50% from international sources. Channels of distribution include direct sales and more than 1,600 VARs worldwide.

North American offices are located in Atlanta, Boston, Chicago, Cleveland, Dallas, Denver, Detroit, Los Angeles, New York, San Francisco, Toronto, and Washington, D.C.

International offices are located in Australia, Austria, Belgium, Denmark, England, France, Germany, the Netherlands, Norway, Sweden, and Switzerland.

Distributors are located in Argentina, Brazil, Greece, Hong Kong, Indonesia, Italy, Mexico, Singapore, and Spain.

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PROGRESS SOFTWARE CORPORATION
5 Oak Park
Bedford, MA 01730
(617) 275-4500

Joseph W. Alsop, President
Private Company
Total Employees: 220
Total Revenue, Fiscal Year End
11/30/89: $25,400,000

The Company

Progress Software Corporation develops, markets, and supports application development systems software tools for minicomputers, microcomputers, and workstations. The company's primary product is PROGRESS®, a fourth-generation language and relational data base management system.

- The company was founded in 1981 as Data Language Corporation. In November 1987, the company changed its name to Progress Software Corporation in order to identify itself more closely with its primary product offering.

- The company's strategy is to provide users with the performance and portability of a hardware-independent and operating system-independent fourth-generation language and relational data base management system.

Progress Software's fiscal 1989 revenue reached $25.4 million, a 65% increase over fiscal 1988 revenue of $15.4 million. A five-year revenue summary follows:

PROGRESS SOFTWARE CORPORATION
FIVE-YEAR REVENUE SUMMARY
($ millions)

	FISCAL YEAR				
ITEM	11/89	11/88	11/87	11/86	11/85
Revenue	$25.4	$15.4	$6.1	$4.6	$3.4
• Percent increase from previous year	65%	151%	33%	35%	*

* *Percent change exceeds 1,000%.*

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It is estimated that fiscal 1990 revenue will reach $40 million.

- Progress Software management attributes the company's rapid growth to the worldwide acceptance of PROGRESS as an application development system for serious programmers designing "mission-critical" applications.

- The company has operated profitably since 1984.

Progress Software currently has 220 employees (150 North America and 70 international), segmented as follows:

Marketing/sales	80
Product services	60
Research and development	50
General and administrative	30
	220

Major competitors include Informix Software, Ingres Corporation, Oracle Corporation, and Unify Corporation.

Key Products and Services

Approximately 70% of Progress Software's fiscal 1989 revenue was derived from software product sales. The remaining 30% of revenue was derived from software maintenance, and education and consulting services.

Progress Software's primary software product, PROGRESS, is a fourth-generation language (4GL) and relational data base management system (RDBMS) that allows resellers, MIS professionals, government agencies, and independent software developers and consultants to develop transaction-oriented business applications.

- With PROGRESS, programmers can build an application on a microcomputer and port it to a multiuser UNIX-based system, or vice versa, without changing a single line of code.

- The PROGRESS 4GL/RDBMS is transparently portable across UNIX, XENIX, ULTRIX, AIX, A/UX, MS-DOS, OS/2, VAX/VMS, and CTOS/BTOS operating systems, as well as networks, and is available on hundreds of minicomputers, microcomputers, and workstations.

 - In August 1988, the company announced a distributed processing version of the PROGRESS 4GL/RDBMS for heterogeneous networks of computers concurrently running the MS-DOS and XENIX operating systems.

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- U.S. software pricing varies from $1,050 to $154,000, depending on the users' hardware platform.

- Over 40,000 copies of the PROGRESS 4GL/RDBMS have been sold, supporting over 220,000 users worldwide.

- Subset versions of PROGRESS (Query/Report, Run-Time, and Developer's Toolkit) are also available.

In October 1988, Progress Software introduced PROGRESS FAST TRACK®, a menu-driven application builder to be used with the PROGRESS 4GL/RDBMS.

- PROGRESS FAST TRACK is available for the same systems that are supported by PROGRESS.

- PROGRESS FAST TRACK consists of a screen painter, report writer, menu editor, and query-by-form generator that enables users to paint screens, write reports, create menus, and generate forms for querying the data base.

- Using "what-you-see-is-what-you-get" techniques, PROGRESS FAST TRACK allows developers to paint the desired result on the screen, choosing fields from pop-up windows, and define their applications through a combination of menu choices, commands, and point-and-pick techniques.

- For users who already own the PROGRESS 4GL/RDBMS, PROGRESS FAST TRACK can be purchased separately at prices ranging from $650 to $48,000, depending on the hardware platform used.

The PROGRESS Application Development System, which consists of the PROGRESS FAST TRACK application builder and the PROGRESS 4GL/RDBMS, ranges in price from $1,500 to $190,000, depending on the hardware platform used.

Annual maintenance is available for 15% of the current list price of the product, if the maintenance plan is purchased within 90 days of the product purchase date.

- If the maintenance plan is purchased 90 to 180 days after the product purchase, the maintenance fee is 1.5 times higher than the base rate. If purchased between 180 days and one year of the product purchase, the maintenance plan is two times higher than the base rate.

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- If maintenance is purchased when the license is first registered with Progress Software, the customer receives 15 months of maintenance for the price of one year.

Progress Software also offers instructional courses and seminars for its software products through its office in Bedford and at various locations in North America. On-site courses are also available.

The PROGRESS Application Catalog, available from Progress Software or through the company's resellers and distributors, lists companies and the PROGRESS-based applications they have developed for a range of industries.

Industry Markets

The primary markets for Progress Software's products include VARs, MIS professionals, government agencies, and independent software developers and consultants that develop transaction-oriented business applications.

Geographic Markets

Approximately 50% of Progress Software's fiscal 1989 revenue was derived from the U.S. and 50% from international sources.

Channels of distribution include direct sales and more than 600 VARs.

- North American regional sales offices are located in Arlington (VA), Bedford (MA), Cleveland, Dallas, Laguna Nigel and Larkspur (CA), New York City, Norcross (GA), Schaumburg (IL), and Etobicoke (Ontario, Canada).
- Progress Software has Cooperative Marketing Agreements with Prime, Harris, Apollo, Arix, Convergent Technologies, Hewlett-Packard, Motorola, NCR, NEC, Pyramid, Sequent, Sun Microsystems, 3COM, and Oracle.
- Progress Software has international subsidiaries in Australia, Austria, Belgium, Denmark, England, France, the Netherlands, Norway, Sweden, Switzerland, and West Germany.
- The company also has international distributors, OEMs, and VARs in Bermuda, Brazil, Canada, Finland, Greece, Iceland, Italy, Mexico, the Philippines, Puerto Rico, Singapore, and Turkey.

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PROGRESS SOFTWARE CORPORATION
5 Oak Park
Bedford, MA 01730
(617) 275-4500

Joseph W. Alsop, President
Private Company
Total Employees: 180
Total Revenue, Fiscal Year End
11/30/88: $15,300,000

The Company

Progress Software Corporation develops, markets, and supports application development systems software tools for minicomputers and microcomputers. The company's primary product is PROGRESS®, a fourth-generation language and relational data base management system.

- The company was founded in 1981 as Data Language Corporation. In November 1987, the company changed its name to Progress Software Corporation in order to identify itself more closely with its primary product offering.
- The company's strategy is to provide users with the performance and portability of a hardware-independent and operating system-independent fourth-generation language and relational data base management system.

Progress Software's fiscal 1988 revenue reached $15.3 million, a 151% increase over fiscal 1987 revenue of $6.1 million. A five-year revenue summary follows:

PROGRESS SOFTWARE CORPORATION
FIVE-YEAR REVENUE SUMMARY
($ millions)

	FISCAL YEAR				
ITEM	11/88	11/87	11/86	11/85	11/84
Revenue	$15.3	$6.1	$4.6	$3.4	$0.3
• Percent increase from previous year	151%	33%	35%	*	N/A

* *Percent change exceeds 1,000%.*

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It is estimated that fiscal 1989 revenue will reach $24 million.

- Progress Software management attributes the company's rapid growth to the worldwide acceptance of PROGRESS as an application development system for serious programmers designing "mission critical" applications.

- The company has operated profitably since 1984.

Progress Software currently has 180 employees (120 U.S. and 60 international), segmented as follows:

Marketing/sales	72
Product services	47
Research and development	35
General and administrative	26
	180

Major competitors include Informix Software, Relational Technology, Oracle Corporation, and Unify Corporation.

Key Products and Services

Approximately 90% of Progress Software's fiscal 1988 revenue was derived from software product sales. The remaining 10% of revenue was derived from software support and associated training services.

Progress Software's primary software product, PROGRESS, is a fourth-generation language (4GL) and relational data base management system (RDBMS) that allows resellers, MIS professionals, government agencies, and independent software developers and consultants to develop transaction-oriented business applications.

- With PROGRESS, programmers can build an application on a microcomputer and port it to a multiuser UNIX-based system, or vice versa, without changing a single line of code.

- The PROGRESS 4GL/RDBMS is transparently portable across UNIX, XENIX, ULTRIX, AIX, A/UX, MS-DOS, VAX/VMS, and CTOS/BTOS operating systems, as well as networks, and is available on over 160 hardware platforms.

 - In August 1988, the company announced a distributed processing version of the PROGRESS 4GL/RDBMS for heterogeneous networks of computers concurrently running the MS-DOS and XENIX operating systems.

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- Software pricing varies from $1,000 to $154,000, depending on the users' hardware platform.

- Over 20,000 copies of the PROGRESS 4GL/RDBMS have been sold, supporting over 84,000 users worldwide.

- Subset versions of PROGRESS (Query/Run-Time and Run-Time) are also available.

In October 1988, Progress Software introduced PROGRESS FAST TRACK®, a menu-driven application builder to be used with the PROGRESS 4GL/RDBMS.

- PROGRESS FAST TRACK is available for the same systems that are supported by PROGRESS.

- PROGRESS FAST TRACK consists of a screen painter, report writer, menu editor, and query-by-form generator that enables users to paint screens, write reports, create menus, and generate forms for querying the data base.

- Using "what-you-see-is-what-you-get" techniques, PROGRESS FAST TRACK allows developers to paint the desired result on the screen, choosing fields from pop-up windows, and define their applications through a combination of menu choices, commands, and point-and-pick techniques.

- For users who already own the PROGRESS 4GL/RDBMS, PROGRESS FAST TRACK can be purchased separately at prices ranging from $600 to $39,000, depending on the hardware platform used.

The PROGRESS Application Development System, which consists of the PROGRESS FAST TRACK application builder and the PROGRESS 4GL/RDBMS, ranges in price from $1,450 to $154,000, depending on the hardware platform used.

Annual maintenance is available for 15% of the current list price of the product, if the maintenance plan is purchased within 90 days of the product purchase date.

- If the maintenance plan is purchased 90 to 180 days after the product purchase, the maintenance fee is 1.5 times higher than the base rate. If purchased between 180 days and one year of the product purchase, the maintenance plan is two times higher than the base rate.

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- If maintenance is purchased when the license is first registered with Progress Software, the customer receives 15 months of maintenance for the price of one year.

Progress Software also offers instructional courses and seminars for its software products through its office in Bedford.

The PROGRESS Application Catalog, available from Progress Software or through the company's resellers and distributors, lists companies and the PROGRESS applications they have developed for a range of industries.

Industry Markets

The primary markets for Progress Software's products include VARs, MIS professionals, government agencies, and independent software developers and consultants that develop transaction-oriented business applications.

Geographic Markets

Approximately 60% of Progress Software's fiscal 1988 revenue was derived from the U.S. and 40% from international sources.

North American channels of distribution include direct sales, more than 500 VARs, distributors, and OEMs.

- North American regional sales offices are located in Arlington (VA), Bedford (MA), Dallas, La Jolla and Larkspur (CA), New York City, Norcross (GA), Schaumburg (IL), and Etobicoke (Ontario, Canada).

- Progress Software has Cooperative Marketing Agreements with Prime, Harris, Apollo, Arix, Convergent Technologies, Hewlett-Packard, Motorola, NCR, NEC, Pyramid, Sequent, Sun Microsystems, 3COM, and Oracle.

International channels of distribution include direct sales, more than 300 VARs, distributors, and OEMs.

- Progress Software has international subsidiaries in Australia, Austria, Belgium, Denmark, England, France, the Netherlands, Norway, Sweden, Switzerland, and West Germany.

- The company also has international distributors, OEMs, and VARs in Bermuda, Brazil, Canada, Finland, Greece, Iceland, Italy, the Philippines, Puerto Rico, and Turkey.

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PROJECT SOFTWARE AND DEVELOPMENT, INC.
20 University Road
Cambridge, MA 02138
(617) 661-1444

Robert Daniels, President and CEO
Private Corporation
Total Employees: 335
Total Revenue, Fiscal Year End
9/30/88: $30,000,000*

*INPUT estimate

The Company

Project Software & Development, Inc. (PSDI) was founded in 1968 by Robert Daniels, who continues to retain full ownership of the company. PSDI develops, markets, and supports project management application software and turnkey systems and related products for companies across all industry sectors. PSDI is a value added dealer (VAD) for IBM Personal Computer Systems, a partner in DEC's Systems Cooperative Marketing Program (SCMP), and a value added reseller (VAR) for Oracle Corporation.

PSDI's fiscal 1988 revenue is estimated at $30 million, an 11% increase over estimated fiscal 1987 revenue of $27 million.

PSDI is organized into eight departments as follows:

- Strategic Technology is responsible for investigating new technology, studying its applicability to PSDI products, and developing new products for the company.
- Corporate Administration is responsible for all employee services including recruitment, career development, compensation, benefits, policies and procedures, as well as facilities management, telecommunications, travel, and internal support services.
- European Operations is responsible for customer sales and support in three PSDI subsidiaries: PSDI UK Limited, PSDI Deutschland, and PSDI France, as well as PSDI's sales agent operations in the remainder of the European market.
- Operations is responsible for developing, installing, maintaining, and supporting PSDI mainframe project management software products on both IBM and VAX computers, as well as turnkey systems.

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- Finance is responsible for the company's full range of financial concerns, including the treasury, financial operations, budgeting, tax planning and strategy, and purchasing for both PSDI's domestic and overseas operations.

- Business Development is responsible for PSDI's business in the Pacific Region, including company subsidiaries in Australia and Japan, and sales in Korea, Hong Kong, the People's Republic of China, and Southeast Asia.

- Marketing is responsible for the VAR project management program and markets PSDI software to selected VARs.

- Sales markets software and turnkey systems directly to corporations and administers all phases, including direct sales and the VAR program, of PSDI's maintenance management product.

As of August 1988, PSDI had approximately 335 employees, segmented as follows:

Marketing and sales	155
Computer operations	5
Research and development	70
Customer support	50
General and administrative	55
	335

Major competitors of PSDI project management software and turnkey systems include Metier Management Systems for mainframe and minicomputer systems, and Primavera for MS-DOS microcomputer and VAX systems.

Key Products and Services

INPUT estimates that PSDI derived approximately 80% of fiscal 1988 revenue from software products. Turnkey system sales and rentals accounted for approximately 10% and professional services for the remaining 10%. Approximately 90% of PSDI revenue is derived from PROJECT/2[R] and PROJECT/2-based products.

PROJECT/2, introduced in 1968, is based on public domain research conducted by PSDI founder Robert Daniels at the Massachusetts Institute of Technology. PROJECT/2 is an integrated project management software system consisting of four modules:

- The Schedule Manager is a fully featured scheduling system which provides the user with tools to plan, schedule, and control

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any project. The system offers both time and resource planning using the Critical Path Method (CPM) of scheduling. Either activity-on-arrow or activity-on-node (precedence) networks can be used. The scheduling software provides network scheduling procedures and algorithms which go beyond the basic early-start, late-start calculations. Features include "time now" progress reporting, "what if" analysis, hammocking, resource leveled scheduling, discontinuous scheduling, target scheduling, multiproject scheduling, and multiple calendar scheduling.

- The Cost Manager is designed for advanced cost management applications such as compliance with the stringent DOD, DOE, and NASA program management criteria (DOD Instructions 7000.2 and 7000.10, DOE Order 2250.1A, and NASA NHB 9501.2B and 533P). It accommodates the diverse requirements of different organizations for effective cost control systems by creating a customized cost management system that can be integrated with existing financial and management information systems for effective project cost control. Included in the Cost Manager are features such as:

 - Four work breakdown structures per project.
 - Cost input/calculation/output at any level.
 - Multiple overhead, burden, and fee rating with escalated base and "add-on" rates.
 - User defined curve models.
 - Custom performance measurement techniques.
 - Data verification, validation, and audit capabilities.
 - A flexible report writer.

- The Graphics Manager interfaces directly with information stored in Schedule and Cost Managers to product plotted reports on all aspects of project status, either on paper, transparency, or color graphics terminal display. It provides all the visual tools used in project management presentation including:

 - Standard Gannt charts.
 - Logic bar charts.
 - Network logic diagrams in arrow or precedence format.
 - Work breakdown structure charts.
 - Cost account bar charts.
 - Histograms and profiles.
 - XY graphics.
 - Pie charts.
 - Combination graphs.
 - In addition, the Graphics Manager customizes previously

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created PROJECT/2 graphics with lines, text, and symbols. Items such as company logos, standard notes, approval boxes, etc. can easily be added to drawings.

- The Relational Database Manager provides the user with the capability to develop special project management related applications without programming. It is based on the SQL query language for data definition, data manipulation query and data control. This extends project management capabilities into such areas as drawing control, material tracking, and inventory control.

In October 1985, a turnkey PROJECT/2 solution for the DEC MicroVAX II was introduced.

- The turnkey system includes DEC's MicroVAX II, color terminal, printer, and PROJECT/2 Schedule Manager software. An unlimited user system is priced at $159,085. A two concurrent-user system starts at $80,685. Price includes site planning, installation, and training.

- Users who already possess the appropriate hardware can purchase the MicroVAX II PROJECT/2 Schedule Manager software starting at $112,000 for unlimited users or $33,600 for two concurrent users.

- Optional software modules include the PROJECT/2 Graphics Manager, Cost Manager, and Relational Database Manager.

PSDI also offers software packages not based on PROJECT/2:

- QWIKNET[R] Professional, introduced in April 1987, is a high end project management software product that runs on DEC's VAXmate, IBM PC, and compatible machines. It requires a hard disk with 512K of memory. QWIKNET Professional measures performance in terms of schedules, expenditures, and resource usage. It can schedule 5,000 activities and up to 250 projects, and is priced at $1,995.

- A companion what-you-see-is-what-you-get graphics product called QWIKNET Graphics was introduced in the fall of 1987 to produce popular project management graphics. It requires a supported graphics card and supports a range of printers and plotters. It is priced at $695.

- QWIKNET Professional, LAN version, is being introduced in September 1988.

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- The product will run on IBM PC systems, Version 3.1 or later, with a minimum of 640K of memory, or compatibles, including DEC VAXmate. It can be supported by 3Com 3Plus and Novell Netware LANs. It can exchange data with PROJECT/2 and QWIKNET Professional VAX version (description to follow) and connect to popular applications, such as Lotus 1-2-3 and dBase.

- The LAN version of QWIKNET Professional is priced at $8,600 per four concurrent-user package, including graphics and one year client support plan. Add-on two-user packs are $4,500. One-user add-on is $2,690.

• In September 1988 PSDI plans to release a VAX version of QWIKNET Professional that will run on DEC's VAX series.

- QWIKNET Professional VAX will be the first VAX-based project management system with a mouse option and unique multi-layered, user-adjustable windowing environment.

- QWIKNET Professional VAX supports DEC's VT220, 320, and 340 terminals, and features a mouse-driven proprietary windowing system. It is compatible with the MS-DOS microcomputer version of QWIKNET Professional, can exchange data with PROJECT/2, and is capable of multiproject scheduling for up to 250 projects. It can schedule up to 16,000 activities and 16,000 resources.

- PSDI is targeting the software towards the automotive, engineering, pharmaceutical, and other product development industries, as well as its traditional aerospace/defense and utility markets.

- QWIKNET Professional VAX is priced at $18,900 for the first four-user license and $8,600 for additional four-user licenses.

MAXIMO[R] Maintenance System is a computerized facilities and maintenance management system that provides preventive and corrective work order processing, inventory control, equipment history, and flexible reporting.

• MAXIMO's capabilities allow the user to:

- Customize field length, location, description, and help messages.

- Use the PSDI mouse or the keyboard to make selections.

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- Transfer data to and from MAXIMO's database.
- Create custom reports.
- Customize and implement multi-level system security.

• MAXIMO is available as a software product or as a turnkey system. MAXIMO runs on IBM and compatible microcomputers and LANs by 3Com or Novell.

Industry Markets

While PSDI's products can be used across all industry sectors, PROJECT/2 software licenses and turnkey systems sales are heavily concentrated in certain industries. PSDI revenue is derived primarily from the aerospace/defense, entertainment, and construction industries, as well as from electrical and gas utilities. PSDI has also begun to increase its share of the market in the manufacturing, financial, and telecommunications industries.

PSDI became a member of DEC's System Cooperative Marketing Program (SCMP) early in 1988, enabling PSDI to sell its software as a complete package along with DEC hardware.

PSDI's market for PROJECT/2 is Fortune 1000 companies managing large projects.

QWIKNET Professional is targeted to small and large companies across all industry sectors.

MAXIMO is targeted to plant/facility sites in a variety of industry sectors, including food processing and manufacturing, as well as universities and hospitals.

Geographic Markets

INPUT estimates that approximately 80% of fiscal 1988 revenue was derived from the U.S. Most of the remaining 20% was derived from Europe, Canada, and other international sources.

PSDI maintains thirteen domestic branch offices, located in Cambridge (MA); Ann Arbor (MI); Atlanta (GA), Dallas and Houston (TX); Denver (CO); New York (NY); Newport Beach, San Francisco, and Sherman Oaks (CA); Seattle (WA); Washington D.C.; and West Palm Beach (FL).

International offices are located in Calgary, Toronto, London, Madrid, Munich, Paris, Perth, Sydney, and Tokyo.

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Computer Hardware and Software

PSDI has the following equipment installed:

- 14 DEC MicroVAX IIs.
- 4 DEC VAX 785s.
- 2 DEC VAX 750s.
- 10 DEC VAXstation 2000s.
- 1 IBM 4341.
- 70 IBM PC systems or compatibles.
- 20 Laser printers (PostScript and standard).

PSDI uses the following software:

- VMS and VMS development tools.
- Interleaf.
- WordPerfect.
- Oracle.

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PROJECT SOFTWARE AND DEVELOPMENT, INC.
20 University Road
Cambridge, MA 02138
(617) 661-1444

Robert Daniels, President and CEO
Private Corporation
Total Employees: 275
Total Revenue, Fiscal Year End
9/30/89: $30,000,000

The Company

Project Software & Development, Inc. (PSDI) was founded in 1968 by Robert Daniels, who continues to retain full ownership of the company.

- PSDI develops, markets, supports, and maintains project management applications software and turnkey systems and related products for companies across all industry sectors.
- PSDI is a value-added dealer (VAD) for IBM Personal Computer Systems, a partner in the Cooperative Marketing Program (CMP) of Digital Equipment Corporation, a value-added reseller (VAR) for Oracle Systems Corporation, and a value-added remarketer (VAR) for Ingres Corporation.

PSDI's fiscal 1989 revenue was $30 million. PSDI is one of the largest independent project management software companies and has grown more than 30% in the past three years.

PSDI is organized into the following departments:

- Corporate Administration is responsible for all employee services.
- International Operations is responsible for customer sales and support in five PSDI subsidiaries: PSDI Australia, PSDI Japan, PSDI UK Limited, PSDI Deutschland, and PSDI France, as well as PSDI's sales agent operations in the remainder of the European and Asian market.
- Operations is responsible for developing, installing, maintaining and supporting existing PSDI project management software products on both IBM and VAX computers, as well as for developing new products.
- Finance is responsible for the company's full range of financial concerns, including the treasury, financial operations,

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budgeting, tax planning and strategy, and purchasing for both PSDI's domestic and overseas operations.

- Sales and Marketing is responsible for selling and marketing the VAR project management software products in North America. It also steers new product development. This department markets software and turnkey systems directly to corporations and administers all phases, including direct sales and the VAR program. Sales and marketing is also responsible for selling the maintenance management product.
- Maximo Marketing is responsible for marketing, support, and product development of PSDI's maintenance management software.
- Professional Services is responsible for developing training and consulting services in support of the project and maintenance management services provided by PSDI to clients, offering added value to their software purchases.

As of February 1990, PSDI had 275 employees, segmented as follows:

EMPLOYEE CATEGORY	NUMBER	PERCENT	REVENUE PER PERSON
General/administrative	129	47%	--
Sales/marketing	86	31%	--
Development/R&D/ technical	60	22%	--
TOTAL	**275**	**100%**	**$109,091**

Major competitors of PSDI project management software and turnkey systems include Metier Management Systems for mainframe and minicomputer systems, and Primavera for MS-DOS microcomputer and VAX systems.

Key Products and Services

INPUT estimates that PSDI derived approximately 80% of fiscal 1989 revenue from software products. Turnkey system sales and rentals accounted for approximately 10% and professional services for the remaining 10%. Approximately 90% of PSDI revenue is derived from PROJECT/2[R] and PROJECT/2-based products.

PROJECT/2, introduced in 1968, is based on public domain research conducted by PSDI founder Robert Daniels at the

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Massachusetts Institute of Technology. PROJECT/2 is an integrated project management software system consisting of four modules:

- The Schedule Manager is a fully featured scheduling system which provides the user with all of the tools to plan, schedule, and control any project. The system offers both time and resource planning using the Critical Path Method (CPM) of scheduling. Either activity-on-arrow or activity-on-node (precedence) networks can be used. The scheduling software provides network scheduling procedures and algorithms which go well beyond the basic early-start, late-start calculations. Incorporated are sophisticated techniques including "time now" progress reporting, "what if" analysis, hammocking, resource leveled scheduling, discontinuous scheduling, target scheduling, multiproject scheduling, multiple calendar scheduling, and probalistic risk analysis.

- The Cost Manager, designed for advanced cost management applications such as compliance with the stringent DoD, DOE, and NASA program management criteria (DoD Instructions 7000.2 and 7000.10, DOE Order 2250.1A, and NASA NHB 9501.2B and 533P), accommodates the diverse requirements of different organizations for effective cost control systems by creating a customized cost management system that can be integrated with existing financial and management information systems for effective project cost control.
- The Graphics Manager molds the presentation power of computer-generated graphics to the specific needs in project management for clear and effective display of information. The Graphics Manager interfaces directly with information stored in Schedule and Cost Managers to product plotted reports on all aspects of project status, either on paper, transparency, or color graphics terminal display.

- The Relational Database Manager provides the user with the capability to develop special project management-related applications without programming. It is based on the SQL query language for data definition, data manipulation query and data control. This extends project management capabilities into such areas as drawing control, material tracking, and inventory control.

PSDI also offers software packages not based on PROJECT/2:

- QWIKNET Professional is a project management software program developed specifically for DEC's VAX and VMS-based workstation families, and IBM PCs, and local-area

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networks. The workstation, VAX, and PC versions are mutually compatible and can exchange data with PSDI's PROJECT/2. QWIKNET Graphics is packaged with the LAN version and built into the VAX/workstation versions. DECwindows is introduced in the workstation version.

- APECS 8000 is a project management product for the UNIX environment. Developed in 1985 as a project evaluation and control system, it includes project structure analysis, critical path analysis, cost management, and sophisticated graphics capability. It runs under UNIX System V on AT&T 3B series and UNISYS 5000 series hardware under Digital Equipment's ULTRIX on VAX minicomputers.

- Maximo is a maintenance management software system designed to reduce plant and facility maintenance costs. Maximo can be integrated into other automated applications, such as building management, accounting, and word processing. It runs on IBM Personal Computer systems and local-area networks.

Industry Markets

While PSDI's products can be used across all industry sectors, PROJECT/2 sales are heavily concentrated in certain industries. PSDI revenue is derived primarily from the aerospace/defense, entertainment, and manufacturing industries, as well as from electrical and gas utilities. PSDI has also begun to increase its share of the market in the automotive, pharmaceuticals, governmental, and telecommunications industries.

PSDI became a member of DEC's Cooperative Marketing Program (CMP) early in 1988, enabling PSDI to sell its software as a complete package along with DEC hardware.

PSDI's market for PROJECT/2 is Fortune 1000 companies managing large projects.

QWIKNET Professional is targeted to small and large companies across all industry sectors.

MAXIMO is targeted to plant/facility sites in a variety of industry sectors, especially food processing and manufacturing, as well as universities and hospitals.

Geographic Markets

INPUT estimates that approximately 80% of fiscal 1989 revenue was derived from the U.S. Most of the remaining 20% was derived from Europe, Canada, and other international sources.

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PSDI maintains thirteen domestic branch offices, located in Cambridge (MA); Ann Arbor (MI); Atlanta (GA); Dallas (TX); Denver (CO); New York (NY); Newport Beach, San Francisco, and Sherman Oaks (CA); Seattle (WA); and Washington, D.C.

International subsidiaries include Calgary, Toronto, London, Madrid, Munich, Paris, Perth, Sydney, and Tokyo.

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COMPANY PROFILE

PROJECT SOFTWARE & DEVELOPMENT, INC.
20 University Road
Cambridge, MA 02138
(617) 661-1444

Robert Daniels, President and CEO
Private Corporation
Total Employees: 300
Total Revenue, Fiscal Year End
9/30/85: $25,000,000

THE COMPANY

- Project Software & Development, Inc. (PSDI) was founded in 1968 by Robert Daniels, who continues to retain full ownership of the company. PSDI develops, markets, and supports project management application software and turnkey systems and related products for companies across all industry sectors. PSDI is a value added dealer (VAD) for the IBM PC and PC-AT/370 computers and a value added reseller (VAR) for DEC.

- PSDI's fiscal 1985 revenue reached $25 million, a 25% increase over fiscal 1984 revenue of $20 million. PSDI is the largest independent project management software company and has grown more than 600% in the past five years.

- PSDI is organized into three divisions, as follows:

 - The Retail Products Division markets QWIKNET to distributors and dealers.

 - The VARS (value added resellers) division markets PSDI software to system houses who add value to the software before reselling it.

 - The Sales-Corporate Systems Division markets its software and turnkey systems directly to corporations.

- As of January 1, 1986 PSDI had 300 employees.

- Major competitors of PSDI project management software and turnkey systems include Metier Management Systems for mainframe and minicomputer systems; and Primevera, Harvard Software (Software Publishing), and Sorcim (Computer Associates International) for microcomputer systems.

KEY PRODUCTS AND SERVICES

- INPUT estimates that PSDI derived approximately 80% of fiscal 1985 revenue from software products (85% software license fees and 15% maintenance fees). Turnkey system sales accounted for the remaining 20%. Approximately 90% of PSDI revenue is derived from PROJECT/2 and PROJECT/2-based products.

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- PROJECT/2, introduced in 1968, is based on public domain research conducted by PDSI founder Robert Daniels at the Massachusetts Institute of Technology. PROJECT/2 is an integrated project management software system consisting of four modules.

 - The Scheduling Manager, the central module of PROJECT/2, schedules resources across individual or multiple concurrent projects, defines up to 101 work calendars which reflect operating environments, and produces reports on detail and summary levels.

 . In addition to the basic Scheduling Manager, five options are available. They include Activity Resource Allocation Option, Resource Constraining Option, Multiproject Scheduling Option, Activity Cost Allocation Option, and Report Writer Option.

 . The Scheduling Manager can operate as a standalone system or integrated with any of the other PROJECT/2 modules. The system runs on the IBM 4300 series and compatible mainframes under MVS, VS/1, VM/CMS, or MVS/TSO operating systems; and on DEC 11/730, 11/750, 11/780, 11/782, 11/785, and 8600 VAX series under the VAX/VMS operating system.

 - The PROJECT/2 Cost Manager, introduced in 1978, allows measurement of project performance against time and budget. Cost Manager features include Project Work and Organizational Breakdown Structures, Performance Measurement System, Coding Structure, and Cost Rating Function.

 . The Cost Manager is designed to operate as a standalone system or can be integrated with one or more of the other PROJECT/2 processors.

 . The Cost Manager operates on IBM and compatible mainframes under MVS, VS/1, VM/CMS, and MVS/TSO operating systems; and on DEC 11/730, 11/750, 11/780, 11/782, 11/785, and 8600 VAX series under the VAX/VMS operating system.

 - The Graphics Manager can provide network diagrams, bar charts, and management graphics. It also allows control over graphic display considerations such as drawing size; scale, location, and content of title text and descriptive labeling; windowing; pen color; and selection of the time range or specific activities to be presented.

 . Three options to the basic Graphics Manager are available. They include Graphic Report Writer, GRAPHIT!® , and Interactive Management Graphics.

 - Graphic Report Writer can generate management graphics that combine line, curve, and histogram formats.

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- GRAPHITI, introduced in 1983, functions as a free-form graphics editor by allowing interaction with the system through a graphic display terminal.

- Interactive Management Graphics, also introduced in 1983, allows users to create drawings that analyze project component elements. The system allows emphasis of details with exploded, segmented, or rotated views.

. The Graphics Manager must be integrated with the Scheduling Manager and can also be integrated with one or both of the other PROJECT/2 procesors. GRAPHITI and Interactive Management Graphics are supported on Tektronix 4010, 4100, and 4110 series of graphics terminals.

- The Relational Database Manager allows designing of custom applications without programming. Users can create data bases for document control and materials procurement tracking. Other applications can include time card reporting, customized milestone reporting, plant licensing compliance, parts inventory, contract management, configuration management, and plant and equipment maintenance.

. The Relational Database Manager must be integrated with the Scheduling Manager and can also be integrated with the Cost and Graphics Managers.

• PDSI also offers two software packages not based on PROJECT/2.

- QWIKNET® , introduced in August 1984, is a project management software product for desktop personal computers. QWIKNET allows managers to plan the time, money, and resources necessary to complete a project.

. QWIKNET is available in two activity capacity levels. The 250 activity network package can identify, monitor, and manage 250 individual project activities in a personal computer environment. The 500 activity network package, introduced in July 1985, can handle 500 activities.

. QWIKNET runs on IBM Personal Computers (PC to PC-AT), as well as on Compaq and Texas Instruments Professional microcomputers. The QWIKNET 500 activity model is priced at $895 while the QWIKNET 250 activity model is priced at $695. Each package includes the PSDI Mouse, which allows screen field access and window changes with a push of a button.

. INPUT estimates that there are currently 10,000 installations of QWIKNET.

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- MAXIMO® Maintenance Manager is a plant and facility maintenance software package introduced in March 1985. MAXIMO provides work order tracking, equipment history tracking, and inventory control. The system monitors preventive and corrective maintenance.

 . Written in "C" programming language, MAXIMO operates on the IBM PC-XT and PC-AT under the DOS operating system. MAXIMO is priced at $17,900 for software only, and $22,900 which includes an IBM PC-AT with a 20MB hard disk, color monitor, PC interface, and PSDI mouse. Hardware and software upgrades are also available.

 . INPUT estimates that there are 50 installations of the system.

• PROJECT/2 MACHINE is PSDI's family of turnkey systems based on PROJECT/2 software.

 - PROJECT/2 MACHINE for the DEC VAX 11/700 series of computers was introduced in 1978.

 . The system includes the DEC VAX 11/7XX and the Schedule Manager.

 . In January 1984 PROJECT/2 AIDE, an interactive data entry system, was introduced for VAX-based PROJECT/2 MACHINE.

 . In March 1985 Shutdown Management Application Product (SMAP), a turnkey system built on VAX-based PROJECT/2 MACHINE, was introduced. SMAP details the shutdown process, allows the user to develop contingency plans, as well as simulate the shutdown, and alerts the supervisor of deviations once the shutdown is complete.

 - Designed specifically for the petrochemical process manufacturing industry, SMAP can be customized for any application requiring shutdown or turnaround.

 - Personel PROJECT/2, the turnkey system based on PROJECT/2 software for the IBM PC-AT/370, was introduced in July 1985. The microcomputer system offers the capabilities (planning, scheduling, and analyzing costs and resources) found in the mainframe PROJECT/2 software.

 . Personal PROJECT/2 includes Schedule Manager software and an IBM PC-AT/370 for $49,975.

 . Optional software modules include Advanced Scheduling, Multiproject, Report Writer, and Graphic Report Writer.

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- In October 1985 PROJECT/2 MACHINE for the DEC Micro VAX II was introduced.

 . The turnkey system includes the PROJECT/2 Schedule Manager and the Micro VAX II. A single user system is priced at $93,300. Software interface keys permit additional Micro VAX II users to access the PROJECT/2 software. The software interface key is priced at $13,200 per user.

 . Users who already possess the appropriate hardware can purchase the Micro VAX II PROJECT/2 software. The single user software only price is $76,000. Software only interface keys are priced at $12,000 per user.

- Optional software modules for all PROJECT/2 MACHINE products include PROJECT/2 Graphics Manager, Cost Manager, and Relational Database Manager.

- PSDI provides software support and maintenance services for its software and turnkey systems.

INDUSTRY MARKETS

- While PSDI's products can be used across all industry sectors, PROJECT/2 software licenses and turnkey systems sales are heavily concentrated in certain industries. PSDI revenue is derived mainly from the aerospace/defense, construction, and petrochemical process manufacturing industries as well as from electrical and gas utilities.

- PSDI's target market for PROJECT/2 is Fortune 500 companies managing large projects.

- QWIKNET is targeted to small and large businesses across all industry sectors.

- MAXIMO is targeted to plant/facility sites in a variety of industry sectors including universities and hospitals.

GEOGRAPHIC MARKETS

- INPUT estimates that approximately 80% of 1984 revenue was derived from the U.S. Most of the remaining 20% was derived from Canada, Europe, Australia, and Japan.

- PSDI maintains ten branch offices located in Newport Beach, Sherman Oaks, and San Francisco (CA); Denver; West Palm Beach (FL); Rockville (MD); Ann Arbor (MI); New York; Houston; and Bellevue (WA).

 - International offices include London (U.K.), Milsons Point and Perth (Australia), and Tokyo (Japan).

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COMPUTER HARDWARE AND SOFTWARE

- PSDI has the following equipment installed:
 - 4 DEC VAX 11/750s; VAX/VMS.

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Bill Orr

COMPANY HIGHLIGHT

PROPRIETARY COMPUTER
SYSTEMS, INC.
16625 Saticoy Street
Van Nuys, CA 91406
(213) 781-8221

Bill Barancik, President
Subsidiary of The CISI Group
Employees: 180
Revenues, Fiscal Year End
4/30/80: $10 Million (Est.)

THE COMPANY

- Proprietary Computer Systems, Inc. (PCS) was founded in 1970 to provide network information services and proprietary software systems. It was the first company to offer remote computing services using the APL language. PCS was also the first non-IBM company to offer a commercial service using ATS, an on-line text editing system.

- Historically, PCS has devoted a substantial part of its resources to the enhancement of APL and ATS, to incorporate features such as inputting from video terminals, mixed on-line and batch processing and simplifying instructions for nontechnical users. Additionally, PCS has assembled a large library of APL programs through acquisitions and internal development to offer on its network.

- In March 1979, PCS was acquired by Compagnie International de Services en Informatique (CISI), a French-based computer services company which operates the largest commercial timesharing network in Europe.

- PCS's FY 1980 revenues are estimated at $10 million.

- PCS competes with other APL-based services vendors such as STSC, Inc., I. P. Sharp and The Computer Company.

KEY PRODUCTS AND SERVICES

- PCS derives almost 100% of its revenues from timesharing and remote batch processing services.

- The major strength of PCS is its problem-solving tools, which allow nonprogrammers to write and run their own programs. Key proprietary products in this category are:

 - PCS/INFOtm, an on-line data base management system.

 - PCS/REPORT, a management report-writing system.

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- PCS/DBM, a data base manager for manipulation of large data bases.

- PCS has been offering on-line text processing services (PCS/TEXT™) since 1970. Over the years, PCS has continued to enhance TEXT and has added complementary services to address the needs of office automation:

 - PCS/ARISTOTAL™, an information management system that permits manipulation of textual materials and combinations of text, tabular and numeric information.

 - PCS/PHOTOCOMP™ takes TEXT processed documents and prepares them for automatic photocomposition.

 - PCS/Electronic Mail.

 - PCS/LETTERCOMP, a sophisticated system for automatically preparing letters with variable inserts that personalize the message.

- PCS has also developed several financial products for use by banking institutions and financial analysis. These are:

 - PCS/BANKMODEL™, for analyzing, manipulating and projecting balance sheet data.

 - PCS/FORECAST™, a decision-making tool for budgeting, forecasting, price analysis, preparing pro forma financial statements and making cost estimates.

 - TAFS™ (Trust Account Fee System), a major enhancement to a basic personal trust accounting system in which fees and profits are closely monitored and controlled.

 - STIMS™ (Short Term Investment Management System), provides hourly and daily account management of a wide variety of short-term investment instruments.

 . TAFS and STIMS were joint developments of PCS and the First National Bank of Denver.

- PCS has capitalized on its TEXT software to develop specialized products for attorneys, engineers and architects.

 - PCS/LITIGATION AUTOMATION is a system for creating and using large computerized files of litigation documents.

 - PCS/SPEC™ is an on-line system for creating customized construction specifications from a library of master specifications written in the Construction Specification Institute (CSI) format.

- Other key products available from PCS include:

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- PCS/NOTECOMP™, a management accounting and reporting system for resort timesharing, right-to-use, contract and escrow collection, and land sale programs.
- PCS/BUSINESS SYSTEMS, which supports accounts receivable, inventory, order entry, accounts payable and payroll, and integrates them into a general ledger system.
- PCS/MRP, for manufacturing control.
- PCS/PERSONNEL MANAGEMENT, a set of programs for handling the administrative aspects of personnel management, including reports and analyses required for equal employment opportunity programs.
- PCS BOTTOM LINE, for evaluating corporate financial statements.
- PCS/GENIE, for time series analysis.
- PCS/RISK, for scheduling and controlling activities under conditions of uncertainty.
- PCS/PROJECT MANAGEMENT, a comprehensive report generating system that enables project managers to stay on top of estimates, schedules and actual costs.
- PCS/PERT.

INDUSTRY MARKETS PCS's largest customer base is commercial banks. Other industries served are process manufacturing, transportation, the federal government, aerospace firms, real estate, attorneys, and engineers and architects.

GEOGRAPHIC MARKETS

- At the present time, PCS derives almost 100% of its revenues from the U.S.
- PCS maintains 12 offices located in: Costa Mesa, San Francisco, San Diego and Sunnyvale (CA), Phoenix, Denver, Houston, Dallas, Honolulu, Chicago, New York and Washington, D.C.
- PCS offers its timesharing services in Canada through a CISI affiliate in Montreal, oriented to language translation systems.

COMPUTER HARDWARE AND SOFTWARE

- PCS maintains one data center at its headquarters. RJE facilities are located in Sunnyvale (CA), Chicago and Washington, D.C.

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- PCS has developed its own network for local dial-up in eleven cities via leased lines. TYMNET is used for other locations.

- Equipment in the center consists of an IBM 3031 and a 370/158-3, both operating under OS/MVT and HASP. An additional 370/158-3 is on order. The hardware configuration includes 24 3350 and 3330 type magnetic disk drives, 15 magnetic tape drives, one Documation and three IBM high-speed line printers.

 - PCS also maintains a Word Processing Center and a data entry facility for handling customers' overflow and/or data entry requirements.

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IBM D Corr Div, Corp Communicatio

COMPANY HIGHLIGHT

PROPRIETARY COMPUTER SYSTEMS, INC.
16625 Saticoy Street
Van Nuys, CA 91406
(213) 781-8221

Bill Barancik, President
Private corporation
Total employees: 135
Total revenues fiscal year end 4/30/78: $5,500,000*

THE COMPANY

- Proprietary Computer Systems, Inc. (PCS), a Delaware corporation, was founded in 1970. Management claims that PCS was the first company other than IBM to offer the IBM-developed ATS text processing system and the first company to offer commercial APL services.
 - Today PCS continues to feature both of these interactive remoter computing services.
 - According to management, it has a unique position in the market since it is the only remote computing services company that offers both APL and text editing.
- Management claims that PCS has been profitable every month for the past several years. Strong emphasis is placed on the goal of profitability, as opposed to growth for its own sake. PCS has expanded through internal growth to date but is always open to acquisition opportunities according to management.

KEY PRODUCTS AND SERVICES

- Processing services generated a large majority of fiscal 1977 revenues, followed next by professional services, and lastly software products.
- PCS offers three processing services revenues: PCS/COMPUTERNET, PCS/TEXT, and batch services. Typically, these generate the overwhelming majority of corporate revenues.
- PCS/COMPUTERNET is PCS's name for its proprietary interactive remote computing services. The program library contains over 1,600 APL programs and is the largest library of its kind according to management. These programs include the following types of applications:

* INPUT estimate

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- General business: accounting, inventory, forecasting, budgeting, time series analysis, rate of return, and loan scheduling.
- Scientific and engineering: transient circuit analysis, digital filter synthesis and analysis, AC circuit and microwave system analysis, stress analysis, and chemical engineering calculations.
- Utility: data base management, report writing, and financial modeling.
- Industry specialty:
 - For banks and financial institutions: BANKMODEL analyzes and projects performance based on balance sheet data.
 - For manufacturers: PERTRISK predicts project cost and scheduling factors under conditions of uncertainty.

- PCS/TEXT provides on-line text editing and coded output tapes ready to run on various brands of photocomposition units.

 - Applications include developing publications, technical manuals, proposals, and report writing. Architectural and engineering firms can use TEXT to access and edit PCS-provided data bases of construction specifications. PCS/TEXT is also used for legislative drafts, contracts, trust deeds, wills, patent documents, real estate title preparation, price lists, directories, automotive shop manuals, numerical control programming, tool location files, engineering drawing locator files, and manufacturing planning.
 - Via photocomposition, documents prepared can be automatically converted to camera ready copy for offset printing.

- Batch services include both batch and remote job entry.

- Professional services provided by PCS consist of programming services and systems design which support the remote computing services.

- Software products sales are packages also available through processing services. Principal products include:

 - PCS/INFO™ is a data base management system which generates more revenues than any other PCS software product
 - PCS/REPORT is a report generator, with five general functions:
 - Setting up a new report
 - Changing a report
 - Managing a file of stored reports
 - Describing special calculations
 - Manipulating data
 - PCS/COMPUTERNET Public Library programs

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- PCS/NOTECOMP™ is a management accounting system used for escrow collection, land sale programs, right-to-use, and resort time-sharing.
- TAFS, Trust Account Fee System helps trust department managers control fees and profits.
- STIMS, Short Term Investment Management System, provides timely accounting on short term investment instruments.
- PCS/LITIGATION AUTOMATION is used for managing large files of litigation documents.
- PCS/BUSINESS SYSTEMS provides basic accounting. This includes accounts receivable, accounts payable, payroll, order entry, inventory control, and general ledger.

APPLICATIONS General business applications generate more processing revenues than other types of applications. PCS also offers scientific and engineering, utility, and industry specialty applications. Specialty applications are provided primarily to the finance and banking industry but also to manufacturers and law firms.

INDUSTRY MARKETS

- Commercial banks, savings and loan institutions and credit unions, all part of the banking and finance industry, generated the most revenues in fiscal 1978.
- Other industries served which generated significant portions of revenues:
 - Discrete manufacturing (including several aerospace firms)
 - Process manufacturing
 - Medical/hospital
 - Insurance
 - Federal government (several branches)
 - State and local government
 - Services: Accountants, lawyers, architects, and engineers
 - Other: real estate and construction
- PCS's largest customer generates less than 10% of revenues.

GEOGRAPHIC MARKETS Branch offices are located in Chicago, Denver, Honolulu, Houston, Phoenix, San Diego, San Francisco, and Washington, D.C.

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COMPUTER HARDWARE AND SOFTWARE

- Processing services are provided on the following equipment:
 - Two IBM System/360 Model 65 CPUs running under OS/MVT and HASP. They have over 4 million bytes of core storage.
 - An IBM 3705 front-end processor allows users to switch between PCS/COMPUTERNET and PCS/TEXT without redialing.
 - Peripheral equipment includes:
 - 32 IBM 3330 magnetic disk drives
 - 15 magnetic tape drives
 - 4 high speed printers
 - According to management, the System/360 equipment will be upgraded to either IBM System/3031s or IBM System/370 Model 158-3s during fiscal 1979 (ending April 30, 1979).
- A leased line network links branch locations with headquarters. PCS is also linked to the TYMNET data communications network.

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PROPRIETARY SOFTWARE SYSTEMS, INC.
429 Santa Monica Boulevard
Suite 430
Santa Monica, CA 90401
(213) 394-5233

Joel Fleiss, President
Private Company
Total Employees: 22
Total Revenue, Fiscal Year End
12/31/91: $2,000,000*

*INPUT estimate

The Company

Proprietary Software Systems, Inc. (PSS), founded in 1969, provides systems software tools and professional services to aerospace firms, government agencies, and computer manufacturers.

PSS' revenue for the year ending December 31, 1991 was $2 million. Revenue for 1990 was slightly under $3 million, compared to 1989 revenue of $2.8 milion.

Key Products and Services

Approximately 75% of PSS' revenue is derived from professional services and 25% from systems software products.

PSS offers systems software tools for IBM, Intel 80386, and DEC VAX hardware and embedded computer systems in support of Ada and/or JOVIAL languages.

- USAda is the PSS name for the PSS Ada Tool Set. USAda software tools include the following:
 - USAda Compilers are hosted on a DEC VAX and are targeted to the VAX, MIL-STD 1750A, and the Zoran ZR 34325 digital signal processor. USAda Compilers are fully compliant with DoD-STD-1815A.
 - USAda Macro Assembler (MAC) is compatible with PSS, USAda, Telesoft, and Tartan Laboratories Ada compilers and the USAda Link Editor.
 - USAda Link Editor is compatible with all PSS language translators and provides a set of features for building real-time applications. The Link Editor accepts multiple object modules to produce an ASCII or binary load module, plus a symbolic debug file.

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- AdaRAID (Ada Real-time Applications Interactive Debugger) provides symbolic debug support for Ada, JOVIAL, and assembly language programs. AdaRAID includes conditional break, watch, and trace points along with timing, histories, stepping, and walkbacks. AdaRAID also supports debug procedures, DECWindows, menus, and a mouse interface.

- ESCAPE (Embedded Software Control of Application Programming Environment) is a priority-driven, multitasking, real-time operating system. It is designed to be a non-stop, autonomous system that controls resource sharing among multiple processors.

- PSS is the number-one developer of support tools for the Military Standard Instruction Set Architecture for 1750A applications. The Integrated Tool Set (ITS) was developed by PSS for the Air Force's Embedded Computer Standardized Program Office. The PSS Corporate JOVIAL Tool Set, JIPSE (JOVIAL Integrated Programming Support Environment), is a compatible superset of the ITS, and is available on IBM 370, DEC VAX, and Intel 80386-based systems.

PSS has provided customized support software tools for major applications, including the following:

- Boeing Aerospace (IUS)
- Boeing Military Aircraft (B-IB)
- Douglas Aircraft (C-17)
- Federal Dynamics (F-16)
- Ford Aerospace and Communications Corporation (ARTS)
- Israeli Aircraft Industries (LAVI)
- Kaiser Electronics (ATA)
- Lockheed Missile and Space Company (MILSTAR)
- Martin Marietta (Longbow)
- Rickwell (F-III)
- Singer-Kearfott (F-IIIE)
- Sperry (MATE)

PSS provides customized maintenance services for USAda, JIPSE, and the ITS, including software management, consulting, training, testing, and technical support. Product modifications are made in response to customer requests.

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Industry Markets

Approximately 70% of PSS' revenue is derived from the aerospace industry and the Department of Defense, 25% from other military/federal government units, and 5% from computer manufacturers.

PSS clients include AIL Eaton, Allied Bendix, Boeing, Delco, Douglas Aircraft, Ford Aerospace, General Dynamics, Hewlett-Packard, Honeywell, Israeli Aircraft, Kaiser Electronics, Litton, Lockheed, Martin Marietta, McDonnell Douglas, Mitsubishi Electronics, Northrup, Singer-Kearfott, Rockwell, Teledyne, Texas Instruments, TRW, Unisys, the U.S. Air Force, and the U.S. Navy.

Geographic Markets

Approximately 80% of PSS' revenue is derived from the U.S. and 20% from international sources.

PSS is headquartered in Santa Monica and has a branch office in Seattle (WA).

PSS conducts direct sales in the U.S., Europe, and Israel. PSS uses a trading company in the Far East/Orient.

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PROPRIETARY SOFTWARE SYSTEMS, INC.
429 Santa Monica Boulevard
Suite 430
Santa Monica, CA 90401
(213) 394-5233

Joel Fleiss, President
Private Company
Total Employees: 22
Total Revenue, Fiscal Year End
6/30/89: $2,800,000

The Company

Proprietary Software Systems, Inc. (PSS), founded in 1969, provides systems software tools and professional services to aerospace firms, government agencies, and computer manufacturers.

PSS' fiscal 1989 revenue is estimated at $2.8 million, a 12% increase over fiscal 1988 revenue of $2.5 million.

Key Products and Services

Approximately 75% of PSS' revenue is derived from professional services and 25% from systems software products.

PSS offers systems software tools for IBM, Intel 80386, and DEC VAX hardware and embedded computer systems in support of Ada and/or JOVIAL languages.

- USAda is the PSS name for the PSS Ada Tool Set. USAda software tools include the following:
 - USAda Compilers are hosted on a DEC VAX and are targeted to the VAX, MIL-STD 1750A, and the Intel 80386. USAda Compilers are fully compliant with DOD-STD-1815A. Compilers are currently under development for the Intel 80386.
 - USAda Macro Assembler (MAC) is compatible with PSS, USAda, Telesoft, and Tartan Laboratories Ada compilers and the USAda Memory Allocation Processor.
 - USAda Memory Allocation Processor (MAP) is compatible with all PSS language translators and provides a set of features for building real-time applications. MAP accepts multiple object modules to produce an ACSII or binary load module, plus a symbolic debug file.

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- USAda RAID (Real-time Applications Interactive Debugger) provides symbolic debug support for Ada, JOVIAL, and assembly language programs. USAda RAID includes conditional break, watch, and trace points along with timing, histories, stepping, and walkbacks. USAda RAID also supports debug procedures, DECWindows, menus, and a mouse interface.

- ESCAPE (Embedded Software Control of Application Programming Environment) is a priority-driven, multitasking, real-time operating system. It is designed to be a non-stop, autonomous system that controls resource sharing among multiple processes.

- PSS is the number one developer of support tools for the Military Standard Instruction Set Architecture for 1750A applications. The Integrated Tool Set (ITS) was developed by PSS for the Air Force's Embedded Computer Standardized Program Office. The PSS Corporate JOVIAL Tool Set, JIPSE (JOVIAL Integrated Programming Support Environment), is a compatible superset of the ITS.

- ITS includes a JOVIAL J73 Compiler, a Macro Assembler, a Link Editor, and a Real-time Applications Interactive Debugger (RAID).

- ITS is hosted on the DEC VAX and IBM 370 and is targeted to the MIL-STD-1750A, VAX-11, and IBM 370.

PSS has provided customized support software tools for major applications, including the following:

- Boeing Aerospace (IUS)
- Boeing Military Aircraft (B-IB)
- Douglas Aircraft (C-17)
- Ford Aerospace and Communications Corporation (ARTS)
- Israeli Aircraft Industries (LAVI)
- Kaiser Electronics (ATA)
- Lockheed Missile and Space Company (MILSTAR)
- Singer-Kearfott (F-IIIE)
- Sperry (MATE)

PSS provides customized maintenance services for both JIPSE and the ITS, including software management, consulting, training, testing, and technical support. Product modifications are made in response to customer requests.

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Industry Markets

Approximately 60% of PSS' revenue is derived from the aerospace industry and the Department of Defense, 30% from other military/federal government units, and 10% from computer manufacturers.

PSS clients include AIL Eaton, Allied Bendix, Boeing, Delco, Douglas Aircraft, Ford Aerospace, General Dynamics, Hewlett-Packard, Honeywell, Israel Aircraft, Kaiser Electronics, Litton, Lockheed, McDonnell Douglas, Mitsubishi Electronics, Northrup, Singer Kearfott, Teledyne, Texas Instruments, TRW, Unisys, the U.S. Air Force, and the U.S. Navy.

Geographic Markets

Approximately 67% of PSS' revenue is derived from the U.S. and 33% from international sources.

PSS is headquartered in Santa Monica and has a branch office in Seattle (WA).

PSS conducts direct sales in the U.S. and Israel. PSS uses a trading company in the Far East/Orient.

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COMPANY BRIEF

Primary Industry-Specific Market: Manufacturing-Aerospace

Proprietary Software Systems Inc.
429 Santa Monica Boulevard
Suite 430
Santa Monica, CA 90401
(213) 354-5233

CEO: Joel Fleiss, President
Private Company
Founded: 1969

Employees: 50 (11/86), 43 (6/86)
Revenue (FYE 6/30/86): $4,500,000

The Company: Proprietary Software Systems (PSS) provides systems software and professional services to aerospace firms, government agencies, and computer manufacturers

Sources of Revenue:
- Professional Services (75%)
- Systems Software (25%)

Key Products and Services:
- Systems Software (Utilizes IBM and DEC VAX hardware and embedded computer systems)
 - IDEAL is the PSS acronym for the "Integrated Development Environment for the Ada Language." PSS has provided software tools to support Ada, which include:
 - MAC (Macro Assembler) and MAP (Memory Allocation Processor). MAC is compatible with numerous Ada/1750A compilers and MAP (Link Editor). MAP is compatible with all PSS language translators and provides a comprehensive set of features of building real time applications. MAP accepts multiple object modules to produce an ASCII or binary load module plus symbolic debug file.
 - MAD (Microprocessor Ada Debugger). MAD provides symbolic debug support for Ada, JOVIAL, and assembly language programs.
 - ESCAPE (Embedded Software Control of Application Programming Environment) is a priority driven, multi-tasking, real time operating system. It is designed to be a non-stop, autonomous system that controls resource sharing among multiple processes.
 - PSS is the number one supplier of JOVIAL support tools for the Military Standard Instruction Set Architecture for U.S. Air Force applications. PSS offers a customized maintenance program for the baseline Integrated Tool Set (ITS) developed for the Air Force's Embedded Computer Standardization Program Office (ECSPO).

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- ITS includes a JOVIAL J73 Compiler, a Macro Assembler, a Link Editor, and a Real-time Applications Interactive Debugger (RAID). These tools are targeted to the MIL-STD 1750A, VAX 11, and IBM 370.

- Professional Services
 - PSS has provided customized support software tools for major applications, including:
 - Boeing Aerospace IUS
 - Boeing Military Aircraft B-1B
 - Douglas Aircraft C-17
 - Ford Aerospace and Communications Corporation ARTS
 - Israeli Aircraft Industries LAVI
 - Lockheed Missile and Space Company Major Satellite
 - Singer-Kearfott F-111E
 - Sperry Mate
 - PSS customized maintenance services includes software management, consulting, training, testing, and technical support required to maintain the ITS. Product modifications are made in response to customer requests.

Target Industries:
- Aerospace/Department of Defense (60%)
- Military/federal government (20%)
- Computer manufacturers (20%)

Geographic Markets
- U.S. (67%), direct sales
- Non-U.S. (33%), direct sales to Israel; sell through a representative in the Orient

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program

July 1997

PSINet Inc.

510 Huntmar Park Drive
Herndon, VA 22070
U.S.
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Fax: (703) 904-4200
Internet: http://www.psi.net

Brookmount Court
Kirkwood Road
Cambridge CB4 2QH
England
Tel: +44 (0) 1223 577577
Fax: +44 (0) 1223 5776

Chairman, President, & CEO:	William L. Schrader
Status:	Public
Employees:	515 (4/97)
Revenue:	$84,352,000
Fiscal Year End:	12/31/96

Key Points

- PSINet provides Internet access services, software products, and associated support services to organizations and individuals throughout the U.S. and internationally.
- In July 1997, PSINet and IXC Communications, Inc. entered into a strategic alliance whereby PSINet will use 10,000 OC-48 equivalent route miles of fiber bandwidth in exchange for a 20% stake in PSINet. The companies also signed a long-term marketing agreement.
- In June 1997, PSINet U.K., one of PSINet's subsidiaries, moved from a traditional field sales approach to an exclusively office-based sales strategy.
- In May 1997, PSINet announced the availability of eCommerce, a secure commerce service, which provides a solution for merchants wanting to establish a storefront on the Web.
- In February 1997, PSINet sold all of its issued and outstanding capital stock of its wholly owned subsidiary InterCon Systems Corporation to Ascend Communications, Inc.
- In January 1997, PSINet announced an agreement to provide Internet service to WebTV Networks, Inc., the first company to enable the delivery of Internet content to television.

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Company Description

PSINet (formerly Performance Systems International, Inc.), founded in 1989, is a provider of turnkey corporate Internet and intranet access, managed security services, electronic commerce solutions, and Web hosting services.

PSINet offers a variety of Internet access services and products.

- The company's PSINet network offers high-speed access to the Internet from more than 349 points of presence (POP) in the U.S., Canada, Europe, and Asia.
- Internet access options range from high-speed modem dial-up and Integrated Services Digital Network (ISDN) for telecommuters and small office LANs to dedicated high-speed circuits for corporate activity.
- As part of the PSINet network, the company offers a Web browser, guided navigation tools to various Internet services, Internet access security services, and client software products designed to facilitate access to and use of the Internet.
- Additionally, PSINet offers Web hosting services, training, and third-party design and consulting services.

Organization and Structure

PSINet, with offices in eight countries in North America, Asia, and Europe, is headquartered in in Herndon (VA).

Regional U.S. offices are located in Cambridge (MA), Chicago (IL), New Cumberland (PA), and Santa Clara (CA). The PSINet Network Information and Support Center is located in Troy (NY).

PSINet's officers are listed in Exhibit 1.

Exhibit 1

PSINet
Key Executives

Name	Title
William L. Schrader	Chairman, President, & CEO
David N. Kunkel	Senior VP, General Counsel
Harold S. Wills	Executive VP, COO
Edward D. Postal	VP and CFO
James "Chuck" Davin	VP and CTO
Mitchell Levinn	VP, Network Operations
John F. Kraft	VP, Wholesale Network Services
Mark S. Fedor	VP, Engineering
Mary-Ann Carolan	VP, Customer Administration
David L. Hudson	VP, Business and Product Development
Rick Frizalone	VP, Corporate Sales

Source: PSINet Inc.

PSINet has the following wholly-owned subsidiaries:

- PSINet Publishing Corporation, headquartered in Herndon (VA), provides PSIWeb hosting service.
- PSINet Security Services, headquartered in Herndon (VA), provides a full range of security solutions, including firewall software and encryption and authentication capabilities.
- PSINet Limited, headquartered in Markham, Ontario (Canada) offers access to the Internet from more than 15 POPs across the country.
- PSINet Japan KK is headquartered in Tokyo (Japan), and provides local access in

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Japan's three largest cities: Tokyo, Yokohama, and Osaka.

- PSINet UK Ltd., in Cambridge (England), is the hub for PSINet's POPs in the U.K. The company offers local call access to all the businesses in England, Wales, Scotland, and Northern Ireland.
- PSINet Europe Ltd., comprised of the following:
 - PSINet Belgium S.P.R.L., in Brussels (Belgium)
 - PSINet Germany GmbH, in Frankfurt am Main (Germany)
 - PSINet Europe Limited - Dublin Office (Ireland)

Employees

As of March 14, 1997, PSINet had 515 employees, compared to 550 in August 1996, segmented as follows:

Technical positions	239
Marketing and sales	177
Administration	99
	515

Company Strategy

PSINet's strategy is to offer geographically dispersed, reliable, competitively priced, high-speed Internet access to more sophisticated users.

The company's objective is to be the leading full-service provider of Internet solutions to organizations and individuals worldwide.

By offering Internet access options, software applications, and consulting and security services, PSINet seeks to fulfill its customers' Internet needs.

Key elements of the company's strategy are to:

- Provide high-performance Internet services through a robust network
- Provide customer-driven, high-value service offerings to businesses
- Continue international expansion in support of customer needs
- Expand its customer base through focused marketing and active customer service
- Accelerate growth and enhance service offerings through potential acquisitions, strategic alliances, and business relationships

Divestitures

In February 1997, PSINet its wholly owned software subsidiary, InterCon Systems Corporation, to Ascend Communications, Inc.

- InterCon Systems, acquired in July 1995, is a developer and marketer of standards-based connectivity software products for Windows and Macintosh personal computers.
- This divestiture is intended to improve PSINet's business focus on its core corporate Internet service offerings.

Financials

Total 1996 revenue reached $89.8 million, a 132% increase over 1995 revenue of $38.7 million. This increase in revenue resulted from an increase in corporate accounts from 8,200 in 1995 to 17,800 in 1996.

Net losses were $55.0 million in 1996 compared to $53.2 million in 1996. The continued net loss in 1996 reflects PSINet's

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strategy of investing in the expansion of the PSINet network infrastructure in order to position the company to compete in the Internet market domestically and internationally.

A five-year financial summary is shown in Exhibit 2.

Exhibit 2

PSINet, Inc.
Five-Year Worldwide Financial Summary
($ Millions, except per-share and -employee data)

Item	Fiscal Year				
	1996	1995	1994	1993	1992
Revenue	$89.8	$38.7	$15.2	$8.7	$6.4
• Percent change from previous year	132%	61%	75%	36%	N/A
Income (loss) before taxes	$(55.1)	$(53.2)	$(5.3)	$(2.2)	$0.69
• Percent change from previous year	(3.6%)	(1103%)	(141%)	(219%)	N/A
Net income (loss)	$(55.1)	$(53.2)	$(5.3)	$(1.9)	$0.43
• Percent change from previous year	(3.6%)	(1103%)	(179%)	(542%)	N/A
Revenue per employee	$174,369	$70,363	N/A	N/A	N/A
Earnings (loss) per share	$(1.40)	$(1.78)	$(0.26)	N/A	N/A
• Percent change from previous year	21%	(585%)	N/A	N/A	N/A

Source: PSINet Inc.

Source of Revenue by Product/Service

The majority of PSINet's 1996 revenue was derived from Internet access services. In 1995, approximately 87% ($33.7 million) of PSINet's revenue was derived from Internet access services and 13% ($5 million) from software products (due to the acquisitions of InterCon Systems and Software Ventures).

Interim Results

Revenue for the six months ending June 30, 1997 was $55.1 million, up 38% from $39.8 million during the same period in 1996. Net losses were $20.6 million, compared to net losses of $25.8 million for the same period in 1996.

Market Financials

PSINet's revenue is derived from providing Internet access, services, and products to organizations and individuals.

Clients are in aerospace, finance, communications, computer data processing, and related industries, and include governmental agencies, educational and research institutions, and other Internet service providers (ISPs).

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Geographic Markets

The majority of PSINet's 1996 revenue was derived from the U.S. In 1995, about 90% of the company's revenue was derived from the U.S.

Key Products and Services

PSINet Services

PSINet offers a range of Internet access options and related services in a variety of prices designed to meet the needs of its organizational and individual customers.

The company's Internet services are designed to meet the requirements of commercial, educational, and governmental organizations that link their computers, LANs, and information servers to the Internet.

Internet Services

Principal Internet services for organizations include the following:

- InterFrame enables direct, high-speed, continuous connection of an organization's LAN to the PSINet network and the Internet using the customer's dedicated circuits at speeds from 56 kbps to 3 mbps. Monthly service charges range from $295 to $3,795.

- LAN-on-Demand provides customer-initiated TCP/IP connectivity and access to the Internet linking customers' LANs to the PSINet network. Monthly service charges range from $145 to $295, depending on the speed of service offered.

- UUPSI is PSINet's basic introductory service that links organizational customers' LANs and hosts to the PSINet network and the Internet through dial-up connections at speeds of up to 28.8 kbps. It provides customers with e-mail, USENET news, and file transfer. The monthly service charge is $50.

- InterMAN provides direct connectivity of a customer's LAN at speeds of 1.54 mbps to 45 mbps by using the high-bandwidth, fiber optic SMDS switching fabric available in many metropolitan areas. This service provides direct access to many Internet applications, such as USENET news, video conferencing, and the Web. Standard monthly service charges range from $1,200 to $12,000, depending on the speed of the service.

- PSI IntraNet is a turnkey solution that allows private, high-speed continuous connection of an organization's multiple sites using the customer's dedicated circuits. Security policies regulate the flow of information between the customer's private intranet and the global Internet. Standard monthly charges range from $475 to $2,750 per site.

- PSINet WebStart is PSINet's turnkey solution for corporate customers to establish their own presence on the Internet. Charges range from $750 to $1,250, depending on the number of Web pages developed and the development complexities.

- PSIWeb eCommerce is an integrated electronic commerce solution for corporate customers, using CyberCash payment services and Mercantec's SoftCart shopping cart software. PSINet eCommerce enables the company's customers to take orders over the Internet for products and services 24 hours a day without geographic and time zone restrictions. Monthly service fees range from $95 to $195, in addition to the PSIWeb service fees, plus 1% of the value of transactions processed.

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Internet services targeted to individual subscribers include the following:

- InterRamp Remote Access provides direct and unrestricted access to the full range of applications available on the Internet, including e-mail, file transfer, Web, Mosaic, Gopher, and news services, and is designed to accommodate new services introduced on the Internet in the future. Standard monthly charges are $29 for unlimited analog and 1B ISDN usage and $49 for unlimited 2B ISDN access.

- Pipeline, available only outside the U.S., is a flexible Internet access service that features easy sign-up and a graphical user interface for Windows- or Macintosh-based personal computers. It employs icons and basic commands to give users point-and-click access to a variety of Internet services and functions. Standard monthly charges are $19.95 for unlimited use or $5 for five hours and $1.50 per hour for use over the five hours of basic service.

- PSIWeb is a World Wide Web hosting and design service targeted at publishers, advertisers, retailers, and other organizational customers. It is a multimedia Web service. Standard monthly service charges range from $99 to $3,095, depending on the disk storage space used. The top speed of the service offered will add $500 to $3,000 to these base charges.

Security Services

PSINet security services include the following:

- RouteWaller is PSINet's managed Internet security service, designed to permit general access to public sections of the customer's network but to permit only authorized users access to the private sections of the customer's network.

- Gauntlet is a gateway firewall sublicensed by the company from Trusted Information Systems, Inc. that includes hardware, security software, and on-site installation and 24-hour management by PSINet's Security Planning and Response Team (SPART).

- SecureEnterprise is a managed security service for business customers connecting private networks to the Internet provided by SPART. It is an integrated solution that includes security systems, security policy consulting, installation, and 24 x 7 remote monitoring, management, and event log reporting by SPART.

Value-Added Services

PSINet recently began to offer productivity-enhancing services and products, including the following:

- The PSINet Internet Paper service supports distribution of documents over the Internet. This service enables document delivery to be more efficient and allows organizations to integrate fax communication into their information systems infrastructure. Standard monthly service charges range from $50 to $200, depending on the frequency of use of the service.

- The InterFrame FasTrack service is an enhancement to PSINet's dedicated-access InterFrame service. Through InterFrame FasTrack, PSINet offers customers LAN-on-Demand service on an interim basis until the dedicated circuit for their InterFrame service is ready. Charges for this service range from a basic charge of $390 to $490, depending on the connection speed of service offered.

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PSINet Software

As a result of its acquisitions of InterCon Systems and Software Ventures, PSINet offers its own Internet software applications for Windows and Macintosh personal computers.

Software products targeted at organizations include the following:

- TCP/Connect 4 for Windows and Macintosh provides worldwide Internet InterCon Systems connectivity on LANs. It contains a Web browser, e-mail application, file transfer application, network news, and terminal emulation.
- NFS/Share provides Macintosh users with storage and file-sharing capabilities for the network.
- InterServer Publisher is a Macintosh-based Internet server package that provides small and medium-sized businesses with a turnkey solution for establishing a Web site and publishing on it.
- InterPPP II is a multiplatform software solution for use with Macintosh personal computers that permits remote users to establish access to networks that support point-to-point protocol (PPP).

Software products targeted to individuals include the following:

- Internet Valet installs and configures the software necessary to make Windows and Macintosh personal computers Internet-ready. It includes a Web browser, an e-mail application, a news service, and a search-and-retrieve application.
- Microphone is an Internet access software application for Windows and Macintosh personal computers that contains a user interface, file transfer application, private bulletin board system, terminal emulation, and other features.

The PSINet Network

Comprised of approximately 350 POPs as of March 14, 1997, the PSINet network provides customer access to the Internet in the U.S., Canada, Europe, and Asia through dedicated phone lines or by calling a local telephone number (dial-up) through a modem to the nearest PSINet POP.

Once the customer is connected, the traffic is routed through the network infrastructure to the desired Internet location, whether on PSINet's network or elsewhere on the Internet.

Marketing and Sales

In June 1997, in order to help manage growth, PSINet U.K. moved from a traditional field sales approach to an exclusively inside-sales force.

- The company increased its sales personnel headcount by 16 over the past few months.

PSINet U.K. also established a new channel program and formed partnerships with leading VARs such as Computacenter and Morse, and a number of niche companies like InteResource.

In April 1996, PSINet announced a revised marketing strategy to service the rapidly changing and increasingly competitive consumer Internet on-line and professional marketplace with the introduction of a new consumer service catering to Internet customers who are both experienced computer users and Internet veterans.

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Clients

As of March 14, 1997, PSINet had approximately 19,500 corporate clients.

A sample of clients includes American Airlines, Cascade Communications, Fairchild Space & Defense, Motorola, Magnavox, PBS, the Peace Corps, Sybase, US Robotics, and Xerox.

Alliances

PSINet has established relationships with various vendors in related industries to enhance and improve the company's service offerings and the PSINet network. Recent alliances include the following:

In July 1997, PSINet announced that it had signed a 20-year agreement with Austin (TX)-based IXC Communications, Inc. to acquire the right to use 10,000 OC-48 equivalent route miles of fiber bandwidth in exchange for a 20% stake in PSINet.

- OC-48 fiber carries the equivalent of 2.4 billion bits per second, approximately 50 times faster than typical backbone speeds of T3 currently in use on the Internet.
- In connection with the agreement, IXC's chairman, president, and CEO, Ralph J. Swett, will join the PSINet board of directors.
- PSINet also signed a long-term reselling agreement with IXC, whereby PSINet will sell its Internet access and value-added services through IXC.

In June 1997, PSINet and Viatel, Inc., a long-distance telecommunications provider, announced a pan-European co-marketing partnership to expand and facilitate Internet access to corporate clients in key mainland European markets.

- According to the terms of the agreement, Viatel will provide PSINet with access to high-speed managed bandwidth circuits, dial-up access facilities, and managed services in selected European cities.
- This alliance provides PSINet with the opportunity to target Viatel's small and medium-sized enterprise customers (SME).

In May 1997, nine of the nation's major ISPs announced the formation of IOPS.ORG, a group of ISPs dedicated to making the commercial Internet more reliable.

- The companies will focus on resolving and preventing network integrity problems, addressing issues that require technical coordination, and technical information sharing across and among ISPs.
- The founders include ANS Communications, AT&T, BBN Corporation, Earth Link Network, GTE, MCI, NETCOM, PSINet, and UUNET.

In December 1996, PSINet, Proteon, and Tech Data formed an alliance to bring complete Internet access packages to resellers.

Also in December 1996, PSINet teamed with NetCentric to introduce PSINet Internet Paper.

Other select relationships include the following:

- CyberCash and PSINet have formed an alliance to provide PSIWeb customers with a payment system for processing transactions electronically.
- Mercantec, Inc. and PSINet have formed an alliance to provide PSIWeb eCommerce customers with Mercantec's SoftCart shopping cart software, which offers a

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solution for incorporating an on-line "virtual storefront" within the customer's Web site.

- Mpath Interactive and PSINet have formed an alliance to bring interactive applications to the Web through PSINet's network.

- PSINet has a master reseller contract with XLConnect Solutions, Inc. whereby XLConnect recruits and provides direct sales support to resellers of PSINet's connectivity services. There are currently more than 100 value added resellers in the XLConnect VAR program.

PSINet also has alliances with Hansol Telecom of South Korea, NetManage, VocalTec, Microprose Software Studio, TenFour E-Mail Gateway, Quarterdeck Iware Connect, and Proteon Globetrotter Router.

Competition

PSINet competes with the following categories of companies:

- Other Internet access providers—NETCOM On-Line Communications Services, MFS/UUNET Technologies, and Bolt Beranek & Newman, Inc.

- Telecommunications companies—AT&T Corp., MCI Communications Corp., WorldCom, Inc., Sprint, the regional Bell operating companies, and various cable television companies

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INPUT

Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

August 1996

PSINet Inc.

Chairman,
President & CEO: William L. Schrader
510 Huntmar Park Drive
Herndon, VA 22070
Phone: (703) 904-4100
Fax: (703) 904-4200
Internet: http://www.psi.net
Email: info@psi.com

Status:	Public
Employees:	550 (8/96)
Revenue, FYE 12/31/95:	$38,722,000
Revenue, 3 mo. ending 6/30/96	$22,600,000

Key Points

- PSINet provides Internet access services, software products, and associated support services to organizations and individuals throughout the U.S. and internationally.
- The company's PSINet network offers high-speed access to the Internet from more than 349 points of presence (POPS) in the U.S., Canada, Europe, and Asia.
- PSINet's customer base has grown to approximately 12,370 organizational subscribers and 120,544 individual subscribers as of June 30, 1996.
- In July 1996, PSINet unveiled its consumer Internet strategy in which the company will continue to serve the broad consumer Internet market by providing wholesale services to leading consumer-oriented Internet Service Providers within the U.S.
- In May 1996, PSINet announced the deployment of IVYNet, the Internet industry's first and only joint venture to date in South Korea, with PSINet partner Hansol Telecom.

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- Also in May 1996, PSINet announced that it will provide Internet service, sales, and customer support for Pippin@World, the consumer information appliance introduced by Apple Computer and Bandai Digital Entertainment.

- In April 1996, PSINet announced a revised market strategy regarding its consumer Internet service offerings to focus on the high end of the consumer market—catering to customers who are experienced computer and Internet users.

- In support of this repositioning, in May 1996, PSINet announced a company-wide reorganization and a 15% reduction in its work force.

Company Description

PSINet (formerly Performance Systems International, Inc.), founded in 1989, offers a variety of Internet access services and products.

- The company's PSINet network offers access to the Internet from more than 349 POPs worldwide.

- Internet access options range from high-speed modem dial-up and Integrated Services Digital Network (ISDN) for telecommuters and small office LANs to dedicated high-speed circuits for corporate activity.

- As part of the PSINet network, the company offers a Web browser, guided navigation tools to various Internet services, Internet access security services, and client software products designed to facilitate access to and use of the Internet.

- Additionally, PSINet offers Web hosting services, training, and third-party design and consulting services.

PSINet has made two public offerings of its stock since its inception.

- In May 1995, PSINet made an initial public offering of 4.3 million shares of its common stock, raising net proceeds of $47.4 million.

- A secondary offering of five million shares, tendered in December of 1995, generated net proceeds of $87.6 million.

Organization and Structure

PSINet's officers are listed below:

PSINet
Key Executives

Name	Title
William L. Schrader	Chairman, President & CEO
Harold (Pete) Wills	Executive VP, COO & CFO
David N. Kunkel	VP, General Counsel, Secretary
Mitchell Levinn	VP Network Operations
Mary-Ann Carolan	VP Customer Administration

The company's headquarters are in Herndon (VA). Regional offices are located in Cambridge (MA), Chicago (IL), New Cumberland (PA), and Santa Clara (CA).

The PSINet Network Information and Support Center is located in Troy (NY).

PSINet has the following subsidiaries:

- InterCon Systems Corporation, headquartered in Herndon (VA) with an office in Berkeley (CA), provides Macintosh and PC platform Internet connectivity software.

- PSINet Publishing Corporation, headquartered in Herndon (VA), provides PSIWeb hosting service.

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- PSINet Security Services, headquartered in Herndon (VA), provides a full range of security solutions, including firewall software and encryption and authentication capabilities.
- PSINet Limited is headquartered in Markham, Ontario (Canada).
- PSINet UK, headquartered in Cambridge (England), is the hub for PSINet's POPs in the U.K. This unit also provides service for EUnet GB Ltd.
- PSINet Japan KK is headquartered in Tokyo.

Company Strategy

PSINet's strategy is to offer geographically dispersed, reliable, competitively priced, high-speed Internet access to more sophisticated users.

The company's objective is to be the leading full-service provider of Internet solutions to organizations and individuals worldwide.

By offering Internet access options, software applications, and consulting and security services, PSINet seeks to provide solutions to its customers' Internet needs.

In addition, PSINet management has outlined the following key strategic elements for the coming years:

- Provide high-performance Internet and Intranet services through a robust network
- Provide multiple service offerings for organizations
- Provide multiple service offerings for individuals on a wholesale basis
- Continue international expansion
- Accelerate growth and enhance service offerings through acquisitions, strategic alliances, and business relationships
- Expand customer base through focused marketing and support efforts
- Leverage software offerings to increase demand for Internet access and services

Financials

Revenue for 1995 was $38.7 million, an increase of 155% over 1994 revenue of $15.2 million. Net losses were $53.2 million in 1995, compared with net losses of $5.3 million in 1994.

- PSINet management attributed revenue growth in 1995 to the sale of Internet access and related services to organizations and individuals and to the sale of connectivity software products made possible by the acquisitions of InterCon Systems and Software Ventures.
- Although PSINet has experienced rapid growth with the explosion of the Internet and related products and services, the company has incurred losses and experienced negative cash flow from operations during each of its last three fiscal years.
- Losses for 1995 reflect PSINet's strategy of early investment in expanding the PSINet network and the administrative and operational infrastructure designed to position the company to compete in the Internet market domestically and internationally.

A five-year financial summary follows:

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PSINet, Inc.
Five-Year Financial Summary
($ Millions, except per-share data)

	Fiscal Year				
Item	1995	1994	1993	1992	1991
Revenue	$38.7	$15.2	$8.7	$6.4	$4.7
• Percent change from previous year	155%	76%	35%	36%	N/A
Income (loss) before taxes	$(53.2)	$(5.3)	$(2.2)	$0.689	$0.238
• Percent change from previous year	**	(147%)	(413%)	189%	N/A
Net income (loss)	$(53.2)	$(5.3)	$(1.2)	$0.430	$0.238
• Percent change from previous year	(a) (895%)	(179%)	(545%)	81%	N/A
Earnings (loss) per share	$(1.78)	$(0.26)	N/A	N/A	N/A
• Percent change from previous year	(585%)	N/A	N/A	N/A	N/A

** *Percent change exceeds 1,000%.*

(a) Includes charges of $9.9 million related to the acquisitions of Software Ventures and InterCon Systems.

The net loss of 1995 included a pretax charge of $9.9 million related to the permanent impairment of certain intangible assets that resulted from PSINet's plan, adopted in the first quarter of 1996, to merge the operations and products of Software Ventures with those of InterCon Systems.

- Data communications and operations expenditures rose to $29.7 million due to increases in personnel costs resulting from an increase in the company's network operations, customer support, and field service staff; costs associated with providing dedicated circuits to PSINet's InterFrame and InterMan subscribers; and circuit costs relating to the company's new POPs in advance of anticipated expansion in the PSINet customer base.

- Software expenses were $2.5 million during 1995, as the company began to realize software expenses from the 1995 acquisitions of InterCon Systems and Software Ventures.

- General and administrative expenses increased from $3.6 million in 1994 to $10.6 million in 1995.

Source of Revenue by Product/Service

Approximately 87% ($33.7 million) of PSINet's 1995 revenue was derived from Internet access services and 13% ($5 million) from software products (due to the acquisitions of InterCon Systems and Software Ventures).

Prior to 1995, 100% of PSINet's revenue was derived from Internet access services.

Interim Results

Revenue for the three months ending March 31, 1996 was $17.2 million, up 197% from $5.8 million for the same period in 1995. Net losses were $14.8 million, compared to net losses of $3.2 million for the same period in 1995.

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Market Financials

PSINet's revenue is derived from providing Internet access, services, and products to organizations and individuals.

Geographic Markets

Ninety percent of PSINet's revenue is from the U.S. and 10% comes from international markets.

Acquisitions

In 1995, PSINet made a number of acquisitions in efforts to expand the realm of its available Internet access and products and services.

A summary of 1995 acquisitions follows:

- In February 1995, PSINet acquired Pipeline Network, Inc. of New York City for $12.1 million. By acquiring Pipeline's easy-to-use Internet access service for individuals, PSINet expanded its focus on individual subscribers. A formerly private company, Pipeline generated $1.2 million in revenues in 1994.

- In July 1995, PSINet acquired InterCon Systems Corporation of Herndon (VA) for $19.7 million. InterCon Systems, a formerly private company that generated revenues of $8.3 million in 1994, is a developer and marketer of standards-based connectivity software products for Windows and Macintosh personal computers. This acquisition allows PSINet to provide standard software to its customers.

- Also in July 1995, PSINet acquired Berkeley (CA)-based Software Ventures Corp. for $15.8 million. Software Ventures, a developer and marketer of interactive communications software and internetworking solutions, generated $3.1 million in revenue in 1994.

- PSINet acquired EUnet GB, a Cambridge (England)-based Internet access provider in the United Kingdom for $7.1 million. The acquisition contributed to PSINet's international POP expansion.

Employees

As of September 29, 1995, PSINet had 560 employees, segmented as follows:

Technical positions	300
Marketing and sales	150
Administration	110
	560

The company currently has 550 employees.

Key Products and Services

PSINet Services

PSINet offers a range of Internet access options and related services in a variety of prices designed to meet the needs of its organizational and individual customers.

The company's Internet services are designed to meet the requirements of commercial, educational, and governmental organizations that link their computers, LANs, and information servers to the Internet.

Principal Internet services for organizations include the following:

- InterFrame enables direct, high-speed, continuous connection of an organization's LAN to the PSINet network and the Internet using the customer's dedicated circuits at speeds from 56 kbps to 3 mbps. Monthly service charges range from $395 to $3,995.

- LAN On-Demand provides customer-initiated TCP/IP connectivity and access to the Internet linking customers' LANs to the PSINet network. Monthly service charges

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range from $145 to $245, depending on the speed of service offered.

- UUPSI is PSINet's basic introductory service that links organizational customers' LANs and hosts to the PSINet network and the Internet through dial-up connections at speeds of up to 28.8 kbps. It provides customers with E-mail, USENET news, and file transfer. The monthly service charge is $50.

- InterMAN provides direct connectivity of a customer's LAN at speeds of 1.54 mbps to 45 mbps by using the high-bandwidth, fiber optic SMDS switching fabric available in many metropolitan areas. This service provides direct access to many Internet applications, such as USENET news, video conferencing, and the Web. Standard monthly service charges range from $1,200 to $12,000, depending on the speed of the service.

Internet services targeted to individual subscribers include the following:

- InterRamp Remote Access provides direct and unrestricted access to the full range of applications available on the Internet, including E-mail, file transfer, Web, Mosaic, Gopher, and news services, and is designed to accommodate new services introduced on the Internet in the future. Standard monthly charges are $29 for unlimited analog and 1B ISDN usage and $49 for unlimited 2B ISDN access.

- Pipeline, now available just outside the U.S. from PSINet, is a flexible Internet access service that features easy sign-up and a graphical user interface for Windows- or Macintosh-based personal computers. It employs icons and basic commands to permit users point-and-click access to a variety of Internet services and functions. Standard monthly charges are $19.95 for unlimited use or $5 for five hours and $1.50 per hour for use over the five hours of basic service.

PSIWeb is a World Wide Web hosting and design service targeted at publishers, advertisers, retailers, and other organizational customers. It is a multimedia Web service. Standard monthly service charges range from $100 to $1,295, depending on the disk storage space used. The top speed of the service offered will add $500 to $3,000 to these base charges.

PSINet security services include the following:

- RouteWaller is PSINet's managed Internet security service designed to permit general access to public sections of the customer's network, but to permit only authorized users access to the private sections of the customer's network.

- Gauntlet is a gateway firewall sublicensed by the company from Trusted Information Systems, Inc. that includes hardware, security software, and on-site installation and 24-hour management by PSINet's Security Planning and Response Team (SPART).

- SecureEnterprise is a managed security service for business customers connecting private networks to the Internet provided by SPART. It is an integrated solution that includes security systems, security policy consulting, installation, and 24 x 7 remote monitoring, management, and event log reporting by SPART.

PSINet Software

As a result of its acquisitions of InterCon Systems and Software Ventures, PSINet offers its own Internet software applications

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for Windows and Macintosh personal computers.

Software products targeted at organizations include the following:

- TCP/Connect 4 for Windows and Macintosh provides worldwide Internet InterCon Systems connectivity on LANs. It contains a Web browser, E-mail application, file transfer application, network news, and terminal emulation.
- NFS/Share provides Macintosh users with storage and file-sharing capabilities for the network.
- InterServer Publisher is a Macintosh-based Internet server package that provides small and medium-sized businesses with a turnkey solution for establishing a Web site and publishing on it.
- InterPPP II is a multiplatform software solution for use with Macintosh personal computers that permits remote users to establish access to networks that support point-to-point protocol (PPP).

Software products targeted to individuals include the following:

- Internet Valet installs and configures the software necessary to make Windows and Macintosh personal computers Internet-ready. It includes a Web browser, an E-mail application, a news service, and a search-and-retrieve application.
- Microphone is an Internet access software application for Windows and Macintosh personal computers that contains a user interface, file transfer application, private bulletin board system, terminal emulation, and other features.

The PSINet Network

Comprised of more than 349 POPs, the PSINet network provides customer access to the Internet through dedicated phone lines or by calling a local telephone number (dial-up) through a modem to the nearest PSINet POP.

Once the customer is connected, the traffic is routed through the network infrastructure to the desired Internet location, whether on PSINet's network or elsewhere on the Internet.

Clients

A sample of clients includes American Airlines, Cascade Communications, Fairchild Space & Defense, Motorola, Magnavox, PBS, the Peace Corps, Sybase, US Robotics, and Xerox.

Marketing and Sales

In April of 1996, PSINet announced a revised marketing strategy to service the rapidly changing and increasingly competitive consumer Internet on-line and professional marketplace with the introduction of a new consumer service catering to Internet customers who are both experienced computer users and Internet veterans.

Recognizing that Internet users today demand products and services that are both easy to use and affordable, PSINet has taken marketing and sales steps to accommodate these demands, including:

- Flat-rate pricing for both businesses and individuals
- Advertising in the form of direct mail, newspaper, radio, and national business and trade publications
- To build awareness of the PSINet brand name and services, the company

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participated in more than 20 industry trade shows and conferences in 1995.

Alliances

In August 1995, PSINet entered into a joint-venture agreement with Hansol Telecom of South Korea to build an extension of the PSINet network and deliver Internet access services to organizations and individuals in South Korea.

PSINet has an arrangement with NetManage to offer its dial-up service on a nonexclusive basis with NetManage's Chameleon graphical Internet application.

PSINet has an agreement with VocalTec to bundle its dial-up service with VocalTec's Internet Phone software retail package to permit users to communicate by voice over the Internet.

PSINet has alliances with Mpath Interactive and Microprose Software Studio to bring interactive latency-critical applications to the Web through the PSINet network.

In October 1995, PSINet and XLConnect entered into an agreement to offer PSINet's Internet access service with computers and modems through XLConnect's resellers.

Other PSINet alliances/agreements include:

- TenFour E-mail Gateway
- Quarterdeck IWare Connect
- Proteon Globetrotter Router

Competition

PSINet competes with the following categories of companies:

- Other Internet access providers—NETCOM On-Line Communications Services, MFS/UUNET Technologies, and Bolt Beranek & Newman, Inc.
- Telecommunications companies—AT&T Corp., MCI Communications Corp., Sprint, and the regional Bell operating companies
- On-line services companies—America Online, Inc., CompuServe Incorporated, Prodigy Services Company, Genie, and Delphi Internet Services
- Internet software providers—Netscape Communications Corp., Spyglass, Inc., and NetManage, Inc.
- Computer hardware and software and other technology companies—IBM and Microsoft
- Cable operators—Tele-Communications, Inc.

INPUT Assessment

PSINet's strengths include:

- High-speed connectivity
- Rapidly expanding service and software product lines
- Expansive, international POP network
- Internet management experience

Future challenges include:

- Continuing international market penetration and expansion
- Movement toward profitability
- Competition from an array of sources and industries

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Vendor Profile

A Publication from INPUT's Vendor Analysis Program – U.S.

July 1996

PSINet, Inc.

Chairman,
President & CEO: William L. Schrader
510 Huntmar Park Drive
Herndon, VA 22070
Phone: (703) 904-4100
Fax: (703) 904-4200
Internet: http://www.psi.net
Email: info@psi.com



Status:	Public
Employees:	589 (7/96)
Revenue, FYE 12/31/95:	$38,722,000
Revenue, 3 mo. ending 3/31/96	$17,200,000

Key Points

- PSINet provides Internet access services, software products, and associated support services to organizations and individuals throughout the U.S. and internationally.
- The company's PSINet network offers high-speed access to the Internet from 3,349 points of presence (POPS) in the U.S., Canada, Europe, and Asia.
- PSINet's customer base has grown to approximately 12,370 organizational subscribers and 120,544 individual subscribers as of June 30, 1996.
- In July 1996, PSINet unveiled its consumer Internet strategy in which the company will continue to serve the broad consumer Internet market by providing wholesale services to leading consumer-oriented Internet Service Providers within the U.S.
- In May 1996, PSINet announced the deployment of IVYNet, the Internet industry's first and only joint venture to date in South Korea, with PSINet partner Hansol Telecom.

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- Also in May 1996, PSINet announced that it will provide Internet service, sales, and customer support for Pippin@World, the consumer information appliance introduced by Apple Computer and Bandai Digital Entertainment.

- In April 1996, PSINet announced a revised market strategy regarding its consumer Internet service offerings to focus on the high end of the consumer market—catering to customers who are experienced computer and Internet users.

- In support of this repositioning, in May 1996, PSINet announced a company-wide reorganization and a 15% reduction in its work force.

Company Description

PSINet (formerly Performance Systems International, Inc.), founded in 1989, offers a variety of Internet access services and products.

- The company's PSINet network offers access to the Internet from 3,349 POPs worldwide.

- Internet access options range from high-speed modem dial-up and Integrated Services Digital Network (ISDN) for telecommuters and small office LANs to dedicated high-speed circuits for corporate activity.

- As part of the PSINet network, the company offers a Web browser, guided navigation tools to various Internet services, Internet access security services and client software products designed to facilitate access to and use of the Internet.

- Additionally, PSINet offers hosting services, training, and third-party design and consulting services.

PSINet has made two public offerings of its stock since its inception.

- In May 1995, PSINet made an initial public offering of 4.3 million shares of its common stock, raising net proceeds of $47.4 million.

- A second offering, tendered in December of 1995, generated net proceeds of $87.6 million.

Organization and Structure

PSINet's officers are listed below:

PSINet
Key Executives

Name	Title
William L. Schrader	Chairman, President & CEO
Harold (Pete) Wills	Executive VP, COO & CFO
David N. Kunkel	VP, General Counsel, Secretary
Mitchell Levinn	VP Network Operations
Mary-Ann Carolan	VP Customer Administration

The company's headquarters are in Herndon (VA). Regional offices are located in Cambridge (MA), Chicago (IL), New Cumberland (PA), and Santa Clara (CA).

The PSINet Network Information and Support Center is located in Troy (NY).

PSINet has the following subsidiaries:

- InterCon Systems Corporation, headquartered in Herndon (VA) with an office in Berkeley (CA), provides Macintosh and PC platform Internet connectivity software.

- PSINet Publishing Corporation, headquartered in Herndon (VA), provides PSIWeb hosting service.

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- PSINet Security Services, headquartered in Herndon (VA), provides a full range of security solutions, including firewall software and encryption and authentication capabilities.
- PSINet Limited is headquartered in Markam, Ontario (Canada).
- PSINet UK, headquartered in Cambridge (England), is the hub for PSINet's POPs in the U.K. This unit also provides service for EUnet GB Ltd.
- PSINet Japan KK is headquartered in Tokyo.

Company Strategy

PSINet's strategy is to offer geographically dispersed, reliable, competitively priced, high-speed Internet access to more sophisticated users.

The company's objective is to be the leading full-service provider of Internet solutions to organizations and individuals worldwide.

By offering Internet access options, software applications, and consulting and security services, PSINet seeks to provide solutions to its customers' Internet needs.

In addition, PSINet management has outlined the following key strategic elements for the coming years:

- Provide high-performance Internet services through a robust network
- Provide multiple service offerings for organizations
- Provide multiple service offerings for individuals
- Continue international expansion
- Accelerate growth and enhance service offerings through acquisitions, strategic alliances and business relationships
- Expand customer base through focused marketing and support efforts
- Leverage software offerings to increase demand for Internet access and services

Financials

Revenue for 1995 was $38.7 million, an increase of 155% over 1994 revenue of $15.2 million. Net losses were $53.2 million in 1995, compared with net losses of $5.3 million in 1994.

- PSINet management attributed revenue growth in 1995 to the sale of Internet access and related services to organizations and individuals and to the sale of connectivity software products made possible by the acquisitions of InterCon Systems and Software Ventures.
- Although PSINet has experienced rapid growth with the explosion of the Internet and related products and services, the company has incurred losses and experienced negative cash flow from operations during each of its last three fiscal years.
- Losses for 1995 reflect PSINet's strategy of early investment in expanding the PSINet network and the administrative and operational infrastructure designed to position the company to compete in the Internet market domestically and internationally.

A five-year financial summary follows:

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PSINet, Inc.
Five-Year Financial Summary
($ Millions, except per-share data)

Item	Fiscal Year				
	1995	1994	1993	1992	1991
Revenue	$38.7	$15.2	$8.7	$6.4	$4.7
• Percent change from previous year	155%	76%	35%	36%	N/A
Income (loss) before taxes	$(53.2)	$(5.3	$(2.2)	$0.689	$0.238
• Percent change from previous year	**	(147%)	(413%)	189%	N/A
Net income (loss)	$(53.2)	$(5.3)	$(1.2)	$0.430	$0.238
• Percent change from previous year	(a) (895%)	(179%)	(545%)	81%	N/A
Earnings (loss) per share	$(1.78)	$(0.26)	N/A	N/A	N/A
• Percent change from previous year	(585%)	N/A	N/A	N/A	N/A

** *Percent change exceeds 1,000%.*

(a) Includes charges of $9.9 million related to the acquisitions of Software Ventures and InterCon Systems.

The net loss of 1995 included a pretax charge of $9.9 million related to the permanent impairment of certain intangible assets that resulted from PSINet's plan, adopted in the first quarter of 1996, to merge the operations and products of Software Ventures with those of InterCon Systems.

- Data communications and operations expenditures rose to $29.7 million due to increases in personnel costs resulting from an increase in the company's network operations, customer support, and field service staff; costs associated with providing dedicated circuits to PSINet's InterFrame and InterMan subscribers; and circuit costs relating to the company's new POPs in advance of anticipated expansion in the PSINet customer base.

- Software expenses were $2.5 million during 1995, as the company began to realize software expenses from of the 1995 acquisitions of InterCon Systems and Software Ventures.

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Source of Revenue by Product/Service

Approximately 87% ($33.7 million) of PSINet's 1995 revenue was derived from Internet access services and 13% ($5 million) from software products (due to the acquisitions of InterCon Systems and Software Ventures).

Prior to 1995, 100% of PSINet's revenue was derived from Internet access services.

Interim Results

Revenue for the three months ending March 31, 1996 was $17.2 million, up 197% from $5.8 million for the same period in 1995. Net losses were $14.8 million, compared to net losses of $3.2 million for the same period in 1995.

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PSINet's revenue is derived from providing Internet access, services, and products to organizations and individuals.

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Ninety percent of PSINet's revenue is from the U.S. and 10% comes from international markets.

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In 1995, PSINet made a number of acquisitions in efforts to expand the realm of its available Internet access and its available products and services.

A summary of 1995 acquisitions follows:

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- In July 1995, PSINet acquired InterCon Systems Corporation of Herndon (VA) for $19.7 million. InterCon Systems, a formerly private company that generated revenues of $8.3 million in 1994, is a developer and marketer of standards-based connectivity software products for Windows and Macintosh personal computers. This acquisition allows PSINet to provide standard software to its customers.

- Also in July 1995, PSINet acquired Berkeley (CA)-based Software Ventures Corp. for $15.8 million. Software Ventures, a developer and marketer of interactive communications software and internetworking solutions, generated $3.1 million in revenue in 1994.

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Employees

As of September 29, 1995, PSINet had 560 employees, segmented as follows:

Technical Positions	300
Marketing and Sales	150
Administration	110
	560

The company currently has 589 employees.

Key Products and Services

PSINet Services

PSINet offers a range of Internet access options and related services in a variety of prices designed to meet the needs of its organizational and individual customers.

The company's Internet services are designed to meet the requirements of commercial, educational, and governmental organizations that link their computers, LANs, and information servers to the Internet.

Principal Internet services for organizations include the following:

- InterFrame enables direct, high-speed, continuous connection of an organization's LAN to the PSINet network and the Internet using the customer's dedicated circuits at speeds from 56 kbps to 3 mbps. Monthly service charges range from $395 to $3,995.

- LAN On-Demand provides customer-initiated TCP/IP connectivity and access to

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the Internet linking customers' LANs to the PSINet network. Monthly service charges range from $145 to $245, depending on the speed of service offered.

- UUPSI is PSINet's basic introductory service that links organizational customers' LANs and hosts to the PSINet network and the Internet through dial-up connections at speeds of up to 28.8 kbps. It provides customers with E-mail, USENET news, and file transfer. The monthly service charge is $50.

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Internet services targeted to individual subscribers include the following:

- Pipeline Pro provides the individual user with direct and unrestricted access to the full range of applications available on the Internet, including E-mail, file transfer, Web, Mosaic, Gopher, and news services, and is designed to accommodate new services introduced on the Internet in the future. Standard monthly charges are $29.95 for unlimited analog and 1B ISDN usage and $49.95 for unlimited 2B ISDN access.

- Pipeline is a flexible Internet access service that features easy sign-up and a graphical user interface for Windows- or Macintosh-based personal computers. It employs icons and basic commands to permit users point-and-click access to a variety of Internet services and functions. Standard monthly charges are $19.95 for unlimited use or $5 for five hours and $1.50 per hour for use over the five hours of basic service.

The PSIWeb service is an Internet service through which PSINet hosts and designs Web pages for its customers. Targeted at publishers, advertisers, retailers, and other organizational customers, PSIWeb is a multimedia Web service. Standard monthly service charges range from $100 to $1,295, depending on the disk storage space used. The top speed of the service offered will add $500 to $3000 to these base charges.

PSINet security services include the following:

- SecureConnect is PSINet's managed Internet security service designed to permit general access to public sections of the customer's network, but to permit only authorized users access to the private sections of the customer's network.

- Gauntlet is a gateway firewall sublicensed by the company from Trusted Information Systems, Inc. that includes certain hardware, security software, and on-site installation and 24-hour management by PSINet's Security Planning and Response Team.

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Comprised of more than 3,349 POPs, the PSINet network provides customer access to the Internet through dedicated phone lines or by calling a local telephone number (dial-up) through a modem to the nearest PSINet POP.

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- Internet software providers—Netscape Communications Corp., Spyglass, Inc., and NetManage, Inc.
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- Rapidly expanding service and software product lines
- Expansive, international POP network
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- Movement toward profitability
- Competition from an array of sources and industries

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